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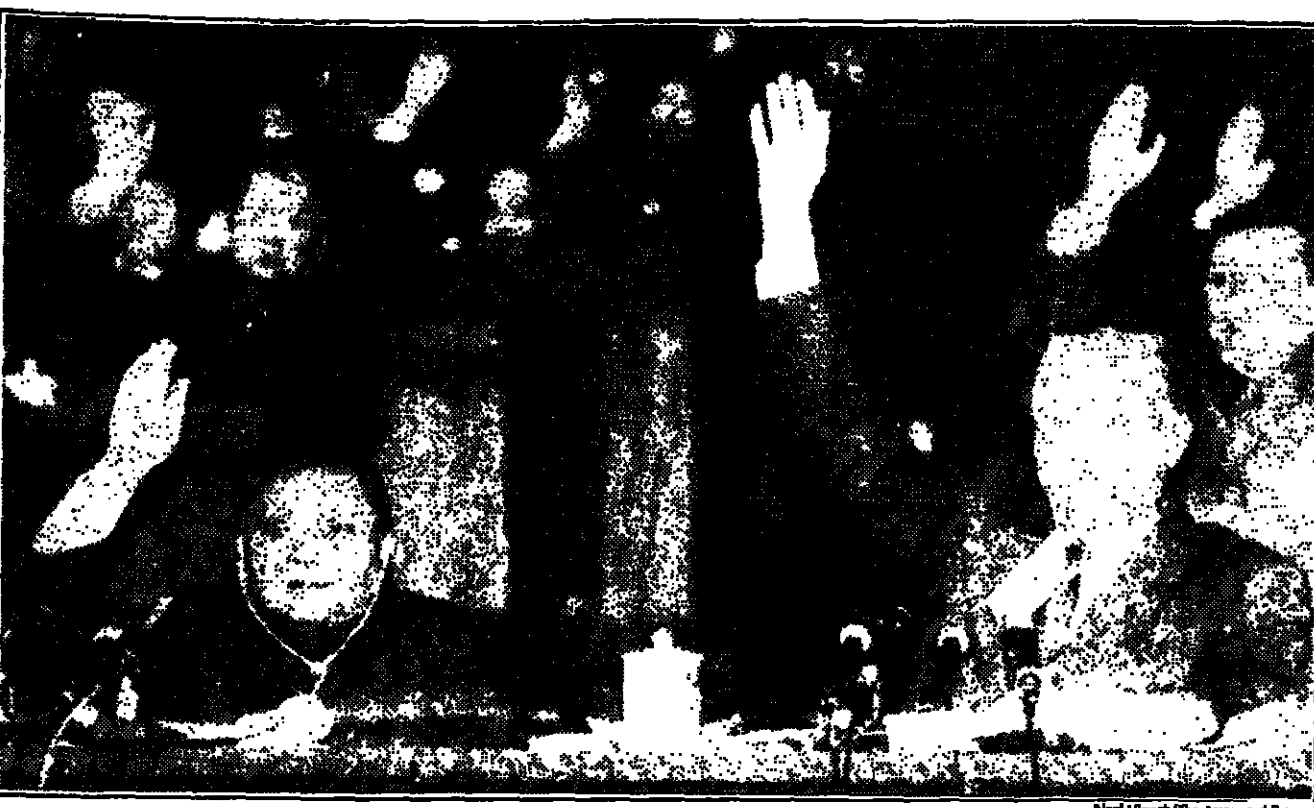
PARIS, MONDAY, NOVEMBER 2, 1987

Table with subscription rates for various countries like Algeria, Argentina, Australia, etc.

ESTABLISHED 1887

Reagan Aide Sees Senate Ratification of Arms Agreement

By Don Oberdorfer Washington Post Service WASHINGTON — President Reagan's national security adviser, Frank C. Carucci, predicted Sunday that the "98 percent" U.S.-Soviet treaty ban on medium- and shorter-range missiles would win Senate ratification...



Deng Xiaoping, left, and Zhao Ziyang voting at the close of the Chinese Communist Party congress in Beijing on Sunday.

Deng, Allies Oust Veterans From Party's Leadership

By Daniel Southerland Washington Post Service BEIJING — Deng Xiaoping and his allies swept aging veterans off the Central Committee of the Chinese Communist Party and into retirement on Sunday, setting the stage for younger leaders to assume control of the country into the next century...

Budget Talks Turn to Cut In Benefits

By Tom Kenworthy Washington Post Service WASHINGTON — Congressional leaders and Reagan administration officials who are negotiating a budget compromise are discussing a proposal to limit cost-of-living increases on federal benefit programs...

Stock Fall Convinces U.S., Partners That Dollar Stability Was No Solution

By Peter Kilborn New York Times Service WASHINGTON — The United States and other leading nations have concluded that the importance they placed on keeping the dollar stable was excessive and probably a mistake...

Yeltsin Affair Proves Delicate for Gorbachev

By Philip Taubman New York Times Service MOSCOW — On Saturday evening, Soviet newspapers received a report from the news agency Tass that Boris N. Yeltsin, head of the new party organization and a prominent member of the Politburo, had resigned...

MONDAY Q&A

Henry Kaufman, of the largest U.S. investment banking firm, sees the dollar stabilizing around 1.60 to 1.70 Deutsche marks. Page 15.

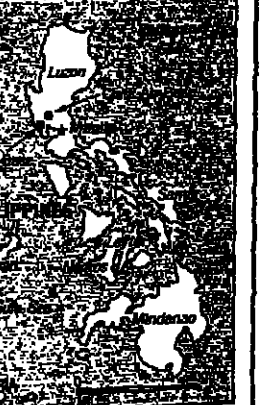
Rift on Growth Policy Grows in West Germany

By Ferdinand Proczman International Herald Tribune FRANKFURT — A split appears to have developed among West German economic officials on the need for a more expansive monetary policy to cope with disruption in financial markets...

Kiosk

Malaysia Holds 91 Dissidents

KUALA LUMPUR, Malaysia (UPI) — Three more persons were arrested Sunday as a threat to national security, bringing to 91 the total number of political and social dissidents apprehended in a government crackdown to ease racial tensions...



Movement of U.S. personnel at Clark Air Base will be restricted after murders of three Americans last week. Page 3.

GENERAL NEWS

In Colombia, uncontrolled violence is breeding a deep sense of helplessness. Page 5.

SPORTS

Eric Dickerson, the top NFL player, made his debut as a tight end as Indianapolis defeated New York Jets. Page 19.

Special Today

The Dutch are grappling with stresses of a complex social fabric and strains of an economy struggling to regain its balance. Special report, pages 7-12.

Major Events For Markets Coming Up

By David A. Vise Washington Post Service WASHINGTON — For most of the world, the focus this week will be on the maneuvering between Congress and the White House over trimming the U.S. budget deficit...

Pickens a Loser In Market Crash

WASHINGTON — T. Boone Pickens, a self-proclaimed "big winner" of the stock market crash, said Sunday that he was not a big winner after all. In an interview, he said he lost 25 percent of his net worth in the 508-point market collapse on Oct. 19, while Ivanhoe Partners, an investment group he heads, lost \$200 million...

New York Marathon Attracts a Record 22,000

Some of the record 22,000 runners in the 18th New York City Marathon on Sunday crossing the Verrazano-Narrows Bridge. Ibrahim Hussein, 29, of Kenya won in 2 hours, 11 minutes, 1 second. Priscilla Welch, 42, of Britain took the women's title in 2 hours, 30 minutes, 16 seconds. Page 19.

French Press Says Left Sold Arms to Iran

By Steven Greenhouse New York Times Service PARIS — France now has its own Iran arms scandal with defense department officials charging that a defense minister in the former Socialist government approved sales of 450,000 artillery shells to Iran in violation of French law...

Japan has refused to go along with American sanctions against Tehran. Page 4.

said that about \$120 million worth of arms were shipped in violation of a self-imposed French embargo.

Socialist Party officials contend that the current right-center ruling coalition leaked the accusations, contained in a confidential army report, to smear the Socialists as the presidential campaign heats up. "Do I look like someone who would sell weapons to Iran?" said Charles Heru, the former defense minister. "These scandals are going to be numerous before the presidential elections."

The sales to Iran, which took place from 1983 to 1986, came to light in February 1986. At the time, Socialist officials were not tied to the sales. They were disclosed by a small newspaper based in Cherbourg, La Presse de la Manche, which wrote that in 1985 two ships registered in the Bahamas carried more than 140,000 155-millimeter and 203-millimeter shells that were supposedly destined for Portugal, Brazil, Thailand and Pakistan. Instead, they were shipped to Bandar Abbas in Iran.

The Socialist defense minister who succeeded Mr. Heru, Paul Quilès, launched an investigation that has focused on the Luchaire Company, an arms-maker that said

See GULF, Page 4

BRIEFS

Angladesh Protest... more than 150 people... as opposition forces...

on Irish-Run Ship... customs uncovered a... a ship crewed by five...

Game Is Drawn... closely contested seventh game... the titleholder, Gami...

Table with columns: Black Kasparov, White Karpov, Black Kasparov. Lists chess moves and scores.

retained about 200 dissidents... for an open presidential election...

UPDATE

Dozens of Flights... were canceled Sunday at... staff, and further stoppages...

services will be closed or curtailed... in dependence this week because of...

Central Africa Republic... Luxembourg, Monaco... Panama City...

Malaysia, Panama, Vietnam City... Pakistan, Sri Lanka...

Hungary, Moldova, Soviet Union... Myanmar, Sudan, Thai Co. Rates...

experience

financing a large... trade finance - as... commercial and invest...

ink... Deutsche Bank Group

AMERICAN TOPICS

Buddhists to Serve As Military Chaplains

The U.S. Defense Department has decided to permit Buddhist chaplains to serve in the armed forces...

One of the astronauts who died in the 1986 explosion of the space shuttle Challenger was Colonel Ellison S. Onizuka...

Short Takes

Lawrence Spivak, creator and for 28 years the moderator of the pioneering interview program 'Meet the Press'...

Hallmark Cards has ceased making a 'Transylvania University' T-shirt with the slogans 'We Go For The Throat!'...

Notes About People

The 200,000-member Navajo Nation has announced a joint venture with Oleg Cassini, the stage and dress designer...

U.S. Supreme Court justices work long hours, according to Justice Sandra Day O'Connor. She said in a University of Denver speech that she arrives at the court building at 7:30 A.M. and stays until 7:30 P.M.

Representative Morris K. Udall, Democrat of Arizona, in a forthcoming book 'Too Funny to Be President' quotes several witticisms of Henry A. Kissinger...

The three Americans and a Filipino were gunned down within 15 minutes Wednesday in four widely separated locations in Angeles City, just outside the base. Police said they had arrested four men who admitted to being Communist guerrillas but denied involvement in the killings.



Judge Ginsburg, center, meeting with Senators Bob Dole, right, and Strom Thurmond.

Aquino Attends Service for Slain GI As Restrictions on Americans Widen

By Seth Mydans New York Times Service MANILA — President Corason C. Aquino flew to Clark Air Base on Saturday to demonstrate his concern over the killing of three Americans as Americans in the Philippines faced heightened security restrictions.

The U.S. Embassy on Saturday warned U.S. citizens to avoid the Ermita night-life district in Manila because of fears of new attacks.

you that it may be a long haul," he said. The concerns were a new experience for Americans here. Despite an 18-year Communist insurgency and a history of political turbulence, U.S. citizens have generally been welcome and secure.

Stepped-up patrols continued around Clark for the third day. U.S. military policemen cleared servicemen from the rows of gaudy bars that cluster around its gates.

Reagan Aides Split on Ginsburg Meese Elated but Baker Frustrated Over Court Choice

By Steven V. Roberts New York Times Service

WASHINGTON — President Ronald Reagan's nomination of Judge Douglas H. Ginsburg for the Supreme Court has renewed tensions between White House factions and has frustrated Howard H. Baker Jr., the White House chief of staff, according to administration officials.

Mr. Baker spent part of the day Friday introducing Judge Ginsburg to Senate leaders. But the show of unity came after a defeat the day before.

Mr. Meese pushed heavily for Judge Ginsburg, a former Justice Department official, according to a White House official.

U.S. Drops Asylum Proposal WASHINGTON — The Justice Department has backed off an unpopular proposal to change the way refugees are granted political asylum, after scores of immigrant advocacy groups and lawyers denied due process to refugees, officials said.

Abortion Issue

Judge Ginsburg's wife performed abortions during her medical training at Beth Israel Hospital in Boston, a spokesman for the Justice Department said Saturday as reported by The Associated Press from Washington.

Haller Perkins Morgan, the judge's wife, performed abortions during her first year of residency in 1979-80 and agreed to assist with one difficult abortion in her next year of training, but she has performed none since then, said a Justice Department spokesman, Terry H. Eastland.

As a result, Mr. Eastland said, she, like a number of doctors who have performed abortions, from her own experience, became persuaded that she did not want to do that anymore.

Chirac Begins Visit to Israel

JERUSALEM — Prime Minister Jacques Chirac of France arrived Sunday in Israel for a three-day state visit. It is the first visit by a French prime minister to the Jewish state.



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Behind Gorbachev Vim, Substantive Vigor

By David K. Shipler
New York Times Service
WASHINGTON — With last week's announcement that Mikhail S. Gorbachev will be coming to Washington Dec. 7 for a summit meeting with President Ronald

Reagan refused to compromise on his space-based defense system. Another Soviet leader might have felt obliged to stick to that negative position, but not Mr. Gorbachev. He has disturbed and fascinated the West practically since the moment he took the reins of Soviet power in March 1985. With an irreverence for precedent and an agility uncommon in Soviet leaders, he has disrupted old assumptions about Soviet impulses, forced reappraisals of Soviet purposes and rendered less predictable the course of East-West competition.

Some Western officials and analysts see him as little more than a clever public relations man, and many are skeptical about his ability to make durable changes in the Soviet system. His recent vacillation on setting a summit date also earned him reprimands in the United States for seeming rash and mercurial, unwelcome characteristics in an adversary of his dimensions.

But this American fixation on his style runs the risk of diverting attention from his substance. Domestically, his efforts toward what he calls *glasnost*, or openness, and *perestroika*, or restructuring, already appear to have set new forces in motion in the economy, the press, the dynamics of Communist Party politics, film, literature, music and the teaching of history.

NEWS ANALYSIS

Muscovites Test Glasnost In Poll on Political Issues

MOSCOW — Moscow residents rank Mikhail S. Gorbachev slightly ahead of Stalin in importance to their country. They approve of giving exit visas to citizens who want to emigrate, but they disapprove of releasing dissidents from prison or exile. Some say that Soviet troops should be withdrawn from Afghanistan. And they do not expect much from the coming summit meeting with President Ronald Reagan.

These are among the findings of a poll conducted by French and Soviet researchers, apparently the first widely publicized survey using Western polling standards to measure Soviet public opinion.

The results were made available by the French television network TF1 and Radio France, which sponsored the survey with the weekly Le Point. Researchers from the Institute of Sociological Studies of the Soviet Academy of Sciences interviewed 1,000 Moscow-area residents by telephone after reading a statement promising anonymity.

Predictably, in a country where people may be reluctant to tell their views to strangers, a heavy majority said they supported Mr. Gorbachev's program of economic changes.

Asked if they approved of the release of "those who are called dissidents" from prison or exile, 42 percent said no and 27 percent yes. But 73 percent said they approved of giving exit visas to people who want to leave the Soviet Union permanently, while 18 percent were opposed.

Asked for the three most important figures in Soviet history, they put Mr. Gorbachev ahead of Stalin, whose brutality and centralized economy have come under sharp criticism since Mr. Gorbachev came to power. Mr. Gorbachev was named by 31 percent, Stalin by 25 percent, Lenin, the founding father of Soviet socialism, was named by 64 percent.

CHINA: Victory for Deng

(Continued from Page 1)
The highest leadership changes are to be announced Monday, when the new Central Committee selects members of the Politburo and its standing committee.

But the changes already disclosed have significantly weakened the party "conservatives" who have tried to limit the scope and pace of economic and political reforms introduced by Mr. Deng and his protégé, Mr. Zhao.

Mr. Chen, considered to be Mr. Deng's most eminent rival for influence, was described as "slightly indisposed" and failed to attend the closing session of the congress, the first to be held in five years.

Mr. Zhao, 68, is expected to be named permanent party general secretary, placing him in line eventually to replace Mr. Deng as the country's top leader and to push forward more forcefully with his economic reforms.

The reforms are designed to move China away from a Soviet-style centrally planned system toward a market economy, experimenting with whatever produces results, including capitalistic-style management techniques.

The changes announced in the new committee constituted a triumph for Mr. Deng and Mr. Zhao that went beyond what most diplomats and analysts expected in the way of losses for the conservatives.

But official Chinese sources warned that despite the victory, Mr. Deng and Mr. Zhao faced numerous problems. One of them, one source said, was the army, which is concerned about a possible further decline in its power.

The army has always been a key to power, and this source said that Mr. Deng had to stay on as military chairman in order to pacify its leadership.

The party ended the congress — probably the last to be dominated by Mr. Deng — with the election of a committee whose new members and alternate members average 55.2 years in age. A party official said this meant a reduction in age of 3.9 years below the age of those who entered the old committee five years ago.

BUDGET: '2 Percent Solution'

(Continued from Page 1)
"Wright and Byrd wouldn't have come over there if things were going well," an official said.

One senior official who is pushing the "2 percent solution" said that for all its political drawbacks it has the advantage of treating equally both Social Security beneficiaries and retired government employees.

In addition, the official said, it offers Democrats who are resistant to cutting those benefits additional tax revenues from the partial removal of indexing on individual incomes subject to taxation.

At the next G-7 meeting, the German official said, the countries could once again profess a commitment to stable currencies.

"But you would probably see the word 'flexible,'" the official said, and an indication of acceptance of a lower level for the dollar than under the Louvre accord. "An agreement wouldn't mean absolute rigidity," he said.

The stable-dollar policy created problems. Relatively low U.S. interest rates encouraged consumers to spend much more than they would have otherwise, and this prevented a significant reduction of purchases of imports and thus a reduction of the trade deficit.

Because Japan and West Germany could keep their domestic economies afloat by selling goods to Americans, they had less incentive to cut taxes, lower interest rates or take other measures to stimulate their domestic economies and encourage their own consumers to borrow and spend.

Economists have been saying for months that at some point, the cycle of American spending and borrowing has to stop. The dive of the stock markets may have brought the message home.

Pronounced and prolonged reductions of the budget deficits, they say, would break the cycle because the United States would need less and less foreign help in financing the deficits.

Cutting the deficits also could throw the U.S. economy into a recession, they warn, and possibly many other economies that rely on American spending as well. A recession could strike because the process of cutting the deficits requires cutting government spending or raising taxes, which takes money out of consumers' pockets.

However, prodded by the incentive of a lower dollar, which means lower prices for American goods, and by reductions in their own interest rates, other countries would be expected to buy the goods that Americans could not buy.



ROYAL COMPLIMENT — Prince Charles and Diana, Princess of Wales, arrived in Berlin on Sunday for a seven-day tour of West Germany amid British press speculation that their marriage is faltering. The prince called his wife "the most glamorous colonel in the British Army." She is the honorary colonel-in-chief of the Royal Hampshire.

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DOLLAR: Stability Not the Answer

(Continued from Page 1)
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GULF: French Scandal

(Continued from Page 1)
It needed the sales to stay in business. Daniel Denyria, president of Luchaire, said that the Defense Ministry had "covered" the sales.

Little was heard about the affair until the two conservative newspapers, L'Express and Le Point, ran their stories this week about a secret report by the French Army's comptroller-general, Jean-François Barba.

An investigating magistrate, Michel Legendre, is expected to ask Defense Minister André Giraud to declassify the report. The magistrate is not allowed access to confidential documents.

According to Le Point, the report says that between three and five percent of the profits from the shipments went directly to the Socialist Party. It said that the alleged funding diversion went through numerous intermediaries.

The article also said that Admiral René Lacoste, former head of the French intelligence service, told President Mitterrand and Jean-François Dubois, a technical adviser to Mr. Hermu, about the sales.

Le Point also stated that Luchaire sold some explosives to Iran that were the same type used in bombings in Paris in 1985 and 1986. Some officials have tied those attacks to Iran's supporters.

France severed diplomatic ties with Iran last July after an official in the Iranian Embassy refused to appear before a French judge to answer questions about the attacks.

Rally for Hamburg Squatters

HAMBURG — About 5,000 protesters threw stones at police, injuring an official, and broke windows during a demonstration in support of squatters Saturday, the police said. There were no arrests.

SOVIET: Problem for Gorbachev

(Continued from Page 1)
The resolution of the Yeltsin case will show whether Mr. Gorbachev's view prevails or whether he is forced to accept the narrower boundaries implicit in Mr. Lukyanov's comments.

The absence of any report about the case in the Soviet press, and the content of the Tass report, suggests that the leadership did not think the country ready for open coverage of internal disputes.

It is not the first time that information about domestic concerns has been made available for use abroad but not at home. In the days following the accident in April 1986 at the Chernobyl nuclear power plant, details about the accident and its consequences were presented for use by foreign correspondents but not the Soviet press.

ARMS: Senate Battle Is Foreseen

(Continued from Page 1)
The long-standing dispute over arms in space could be resolved. This has been tied by Moscow to a strategic arms accord.

The Soviet position on Mr. Reagan's Strategic Defense Initiative has been changing. Ms. Ridgway said, "In time we'll find the basis for going forward with the program and then I admit it," she added.

Mr. Carlucci also emphasized what he described as shifts in the Soviet posture toward SDI. The interesting thing about last Friday's talks with the Soviet foreign minister, Eduard A. Shevardnadze, said

Italian Body-Snatchers Demand \$7.5 Million

RAVENNA, Italy — The body of the founder of Italy's third largest business has been stolen from a cemetery by a group demanding 10 billion lire (\$7.5 million) from the wealthy Ferruzzi family, police sources said Sunday.

The remains of Serafino Ferruzzi were reported missing from the family tomb in the northern city of Ravenna on Friday night after an anonymous telephone call to a newspaper.

Yaqub Khan Resigns From Pakistan Cabinet

ISLAMABAD, Pakistan — Foreign Minister Sahabzada Yaqub Khan has resigned for personal reasons, the Associated Press of Pakistan news agency reported Sunday.

Mr. Yaqub Khan has held the post for five years. His resignation followed his withdrawal from the contest last month for the office of director-general of the United Nations Educational, Scientific and Cultural Organization.

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Finland	F.M.	1,750	950	520
France	F.F.	1,500	820	490
Germany	D.M.	980	320	175
Great Britain	£	130	72	40
Greece	Dr.	22,000	12,000	6,600
Ireland	I.R.	150	80	45
Italy	Lira	380,000	210,000	115,000
Luxembourg	L.F.	11,000	6,300	3,400
Netherlands	F.	650	340	195
Norway	N.Kr.	1,500	990	540
Spain	Pes.	22,500	12,000	6,600
Sweden	Skr.	29,000	16,000	8,800
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Japan Balks At Sanctions Against Iran

By Clyde Haberman
New York Times Service

TOKYO — Japan has told the United States that it would not go along with American sanctions on Iran, but suggested that it would at least try to hold imports of Iranian oil at present levels.

The Reagan administration had urged allies to join its decision last week to impose a ban on all Iranian exports and to tighten restrictions on imports to Iran.

It is unusual for Japan to turn down a request on a sensitive issue, given the overwhelming importance attached to good relations with the United States. When Japan says no, it does so only because it believes that it would otherwise damage vital economic and diplomatic interests.

In this case, Japan feared the loss of a significant oil source, and also wanted to preserve its status as one of the few industrialized countries to maintain diplomatic relations with both Iran and Iraq.

The rejection was relayed Saturday in a meeting here between Undersecretary of State Michael H. Froman and Japanese Deputy Prime Minister, Ryohji Murata.

Mr. Murata told Mr. Froman that Japan was "too early" to take economic measures because of continuing United Nations efforts to mediate a settlement of the Gulf War. In addition, he said, Japan might still be able to play a diplomatic role to help end the conflict.

A statement said the Japanese oil industry would be asked to "have with care and prudence" to the face of any disturbances to the international oil market which might be caused due to the United States economic measures.

The phrase "care and prudence" suggested that Japanese companies would be advised, most likely through indirect but nonetheless effective channels, that they risked official displeasure if they were to increase Iranian oil imports.

In 1986, Japanese imports from Iran totaled \$1.1 billion, virtually all of it crude oil. Japanese exports mainly machinery and ships, amounted to \$1.4 billion.

GULF: French Scandal

(Continued from Page 1)

it needed the sales to stay in business. Daniel Dewavrin, president of Luchaire, said that the Defense Ministry had "covered" the sales.

Little was heard about the affair until the two conservative newspapers, L'Express and Le Point, ran their stories this weekend about a secret report by the French Army's commander-in-chief, Jean-François Barbe.

An investigating magistrate, Michel Legrand, is expected to ask Defense Minister Andre Goin to declassify the report. The magistrate is not allowed access to confidential documents.

According to Le Point, the report says that between three and five percent of the profits from the shipments went directly to the Socialist Party. It said that the alleged funding diversion went through numerous intermediaries.

The article also said that Admiral Rene Lacaze, former head of the French intelligence service, told President Mitterrand and Jean-François Dubes, a technical adviser to Mr. Barbe, about the sales.

Le Point also stated that Luchaire sold some explosives to Iran that were the same type used in bombings in Paris in 1985 and 1986. Some officials have used those attacks to Iran's supporters.

France severed diplomatic ties with Iran last July after an official in the Iranian Embassy refused to appear before a French judge in answer to questions about the attacks.

Rally for Hamburg Squatters

HAMBURG — About 500 protesters threw stones in police, injuring an official and broke windows during a demonstration in support of squatters Saturday, the police said. There were no arrests.

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In Colombia, Uncontrolled Violence Breeds a Sense of Chaos

By Alan Riding
New York Times Service

BOGOTA — Within the space of a few days this month, the leader of Colombia's main leftist party was assassinated, the country's best-known sculptor was kidnapped and several prominent writers and artists were forced into exile by death threats.

That was not all. A bomb damaged the Defense Ministry in Bogota, 16 people were killed one afternoon by feuding emerald-smuggling rings, and gunmen of the left and right added several dozen to the estimated 1,200 political killings so far this year.

Even for Colombia, a country long accustomed to levels of violence that would be considered intolerable elsewhere, the events of recent weeks have proved too much to ignore.

The immediate response of many Colombians has been to blame the government of President Virgilio Barco Vargas for a breakdown of law and order.

There is also no recognition that while Colombia is in no imminent danger of being taken over by leftist or rightist extremists, uncontrolled violence is seriously undermining the country's democratic institutions.

But perhaps most of all, the crisis has exposed a deep sense of powerlessness.

"The population is perplexed," said Enrique Santos Calderon, a newspaper columnist. "People ask, 'Why is this hap-

pening?' and 'Who wants to destabilize the country?' and then they answer according to their intuitions and passions."

Trends nonetheless exist. While at different times violence has come principally from leftist guerrillas and narcotics traffickers, there is now strong evidence that extreme rightists are waging war against nonviolent leftists.

The killing of the leader of the leftist Patriotic Union, Jaime Pardo Leal, on Oct. 11 served as the catalyst for the latest soul-searching, but it was in no way an isolated incident. Over the last 18 months, close to 500 other party members have been killed.

Death threats sent out to a number of priests, academics, lawyers, journalists, and artists have in turn spread terror to groups outside the Patriotic Union. Several of those threatened had denounced the rightist campaign. But in other cases, the motive was unclear.

For many Colombians, the severity of the crisis became apparent only when they learned that many prominent people — among them, the actress Vicki Hernandez, the musician Sergio Acero, and the journalist Daniel Samper Pizano — had fled the country.

Yet while the leadership, structure, and activities of the country's leftist guerrilla groups are well known, no one has been able to identify the members of what is apparently an active and well-organized extreme right.

There is well-documented evidence of the participation of some army officers in rightist death squads.

But despite chants at Mr. Pardo's funeral accusing the defense minister, General Rafael Samudio Molina, of responsibility for his death, there is no proof that the army as an institution has adopted "dirty war" tactics.

The Patriotic Union contends that in many troubled regions, the extreme right includes cattle ranchers, narcotics traffickers and politicians, as well as army officers. Yet those who are coordinating what leftists call the "extermination campaign" at a national level have not been identified.

Bernardo Jaramillo Ossa, the 33-year-old lawyer who succeeded Mr. Pardo as head of the Patriotic Union, said the extreme right's objectives at least are clear.

"It wants to drive us out of the political arena, to force us to abandon the democratic struggle, to make us boycott next March's municipal elections," he said. "We're not going to give it that pleasure."

Many politicians link the latest wave of violence to the elections, scheduled for March 13, because for the first time in the country's history mayors will be elected rather than appointed by the central government. Thus, where the Patriotic Union might win, it is coming under attack.

While warnings are heard that Colom-

bia is sliding irrevocably toward the kind of polarization that has convulsed El Salvador in recent years, this country's crisis still somehow escapes easy stereotyping.

The economy, for example, is growing strongly. The battle lines between left and right are not clearly defined, with many conservatives anxious to disassociate themselves from the extreme right and some leftists openly critical of guerrilla tactics. And while violence in Central America is mainly political, things are complicated in Colombia for many reasons.

The kidnapping last week of the sculptor, Rodrigo Arenas Betancourt, was a case in point. He was grabbed in Medellin, a city where leftist guerrillas, narcotics traffickers, paramilitary gangs, and common criminals all operate with apparent impunity. Yet none took responsibility for the crime.

There were more than 11,000 killings in Colombia last year. Many of them are attributed to personal vendettas and crimes of passion, particularly since even minor disputes are routinely settled with firearms.

Further, violence has undergone a qualitative change in Colombia this decade with the introduction by major cocaine traffickers of the paid assassin.

Known locally as sicarios, these gunmen have over the last three years killed a justice minister, some 50 judges, and more than a dozen journalists who dared

challenge the power of the drug barons who form the so-called Medellin Cartel.

Since mid-1987, when terrorized judges and politicians finally abandoned efforts either to jail major traffickers or to extradite them to the United States, drug-related violence has sharply diminished.

"The drug bosses now feel relaxed," one foreign narcotics expert said. "They don't need to kill anyone because they have gotten their way. They're exporting more cocaine than ever and there aren't even arrest warrants out for them."

In the process of intimidating society, the drug mobsters have effectively destroyed Colombia's system of justice, which now seems incapable of confronting an array of other criminal or paramilitary groups.

10 Policemen Killed

Ten police officers were killed when their vehicle was blown up by a mine in an ambush by guerrillas in northeastern Colombia, a military spokesman said. Reuters reported from Bogota.

The attack took place Friday near Boyetoes, in Aranca Province, some 180 miles (300 kilometers) northeast of Bogota.

In another incident on Friday, a municipal councilor and local leader of the Patriotic Union, was killed by two gunmen while traveling in a bus in the eastern province of Meta.

Sole Party in Tanzania Keeps Nyerere at Helm

By Sheila Rule
New York Times Service

NAIROBI — Julius K. Nyerere, who ruled Tanzania for 24 years, has been overwhelmingly re-elected chairman of his country's sole political party.

Mr. Nyerere, 65, was elected to a five-year term Saturday, receiving 1,378 of the 1,910 votes cast at the party's 10-day convention. He was the only candidate nominated for the post by the party's national executive committee, and delegates were allowed to vote only yes or no.

Alli Hassan Mswinyi, the Tanzanian president, was the sole candidate for the position of party vice chairman. He received 1,907 votes; three delegates voted against him.

To stem economic decay, Mr. Mswinyi signed an agreement with the International Monetary Fund, an organization that has long been a target of criticism by Mr. Nyerere. Western aid donors have voiced pleasure over Mr. Mswinyi's moves to revive the economy, and the changes have been popular among Tanzanians, who are able to buy basic consumer goods after years of deprivation.

Higher producer prices and favorable weather are leading to an agricultural recovery, and foreign aid is pouring into Tanzania.

Mr. Nyerere led Tanzania to independence from Britain in 1961. He turned over the presidency to Mr. Mswinyi in November 1985 but retained the powerful position of chairman of the governing Chama Cha Mapinduzi Party.

When he stepped down as president, Mr. Nyerere said he would turn over the party post to Mr. Mswinyi when his term expired at the end of October.

As the economic recovery program began to loosen government controls, however, Mr. Nyerere, an orthodox Socialist, showed signs of changing his mind.

Mr. Nyerere reportedly said that he had agreed to accept re-election because the party needed strengthening and because pressing domestic and international issues called for a sharing of power.

Foreigners and Tanzanians who follow politics in the country said, however, that some party members had pressed Mr. Nyerere to keep the chairmanship.

"The only reason Nyerere wanted to stand was to curb reforms," a Western diplomat in Dar es Salaam, the capital, said in a telephone interview. "There is a lot of pressure to make sure economic reform does not translate into ideological reform."

Ortega Juggles Moscow Mission With Peace Plan

By Julia Preston
Washington Post Service

MANAGUA — President Daniel Ortega Saavedra has left for a five-day trip to Moscow at a time when Nicaragua faces mounting economic hardship and when the Soviet Union has begun to set limits on aid.

Mr. Ortega said on Saturday that he would return home by Thursday, the first deadline for a peace plan he signed with four other Central American presidents. That means he will leave before Nov. 7, the most important day of the weeklong celebration of the 70th anniversary of the Bolshevik Revolution.

Mr. Ortega's truncated trip to Moscow for a meeting of world leftist leaders reflects the bind Ni-

caragua is in. It is tugged toward the Soviet bloc by a pressing need for aid and pulled back to Central America because the peace accord could bring an end to U.S. support for the rebel war that helped cripple the Nicaraguan economy.

There have been discreet Soviet messages this year, however, that Nicaragua should not expect increased aid and should use what it has more efficiently. This has contributed to Mr. Ortega's decision to sign the Central American accord on Aug. 7 in Guatemala, diplomats in Managua said.

A visit to Moscow by Mr. Ortega at another critical juncture, in April and May of 1985, caused the U.S. Congress to reverse itself on aid for the rebels, known as contras, and approve the first of two aid packages totaling \$127 million.

Mr. Ortega, discussing his current trip at a news conference Saturday, said, "Nicaragua is not another state of the union. I don't have to give any explanation to the U.S. Congress about why I'm traveling to Moscow."

The Nicaraguan president stopped off in Havana for two hours of talks with the Cuban leader, Fidel Castro.

"We have political ties with the

Soviet Union we have to take care of," Vice President Sergio Ramirez Mercado said earlier this month.

"We're not interested in producing any chill with the Soviets because we've had a very positive relation with them which we're not the least ashamed of and want to cultivate."

Diplomats from both East and West in Managua were surprised when the Soviet Union appeared to insist that Mr. Ortega be in Moscow during an important week in the development of Central America's peace plan.

The compromise decision that he return early seemed a logical concession to regional pressures, the diplomats said. Soviet officials strongly supported the Guatemala accord in recent statements.

"If 60 percent of your economic aid comes from the Soviet bloc, you go to Moscow, a Foreign Ministry official said. "It's the place for contacts."

The most painful unresolved issue is Nicaragua's oil supply. The minister for foreign cooperation, Henry Ruiz Hernandez, appealed Thursday at a gathering in Managua of officials from the Council for Mutual Economic Assistance for 365,000 barrels of oil that Nicaragua needs for the rest of this year.

The council is the Communist trade bloc.

Mr. Ramirez said he learned in meetings in June in Moscow that the Soviet government for the first time would not promise to cover Nicaragua's minimum budgeted petroleum requirements. In 1986, the Soviet Union provided 4.6 million barrels. This year they guaranteed only about three million and told Mr. Ramirez to get the rest from other East bloc nations.

Over the summer, Mr. Ramirez traveled to Hungary, Libya, Iran, Iraq, Czechoslovakia, Poland and East Germany, among other nations. But these countries were stingy with oil, which in some cases came from their own shrinking Soviet allocations.

"As it stands now they are facing a real fuel bind come December," a foreign economic analyst said.

Mr. Ramirez said, "The question is still open about what will happen next year."

Meanwhile, the quality of the new Soviet fuel is reportedly so bad that it is causing cars to emit thick gray smoke and has been blamed for four recent crashes of crop-dusting planes in northern Nicaragua.

"The U.S.S.R. is sending a clear



Henry Ruiz Hernandez, the Nicaraguan minister of foreign cooperation, right, talking with Pyotr Koshelev, a Soviet delegate, at a meeting in Managua of Communist officials.

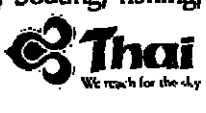
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Revamping Medical Care

To Cut Health Costs, Dutch Test Competition

By Ronald van de Krol

AMSTERDAM — Four Dutch hospitals are soon to find themselves pushed into competition with a commercially operated health clinic as part of a government experiment aimed at finding ways to control the skyrocketing cost of the public health system.

Starting in January, the four hospitals in and around the city of Nijmegen will each be required to set up a diagnostic clinic to compete with a private clinic that will be run by Dr. I.B.J. Boerema, an urologist who hopes to create a chain of private health clinics in the country.

The experiment is designed to see which side — the traditional hospitals or the profit-minded private clinics — can carry out blood tests and other diagnostic examinations at the lowest price and with the highest degree of care.

"The goal is also to see if this kind of set-up is even possible in Holland. So far, the present system makes no room for the profit motive," said a spokeswoman for the Ministry of Welfare, Health and Cultural Affairs.

Despite the novelty of the Nijmegen experiment, the Netherlands, with its long tradition of state-regulated public health care, is not on the verge of privatizing health care.

But the fact that the experiment is taking place at all reflects the sense of urgency about deciding how to finance the extensive public health system in the years ahead.

The need to make decisions for the future is especially acute because of the "graying" of the population and the continued slump in revenue from the country's natural gas fields that have fueled and sustained its social welfare system since the late 1950s.

"There have been any number of reports in

The experiment reflects a new sense of urgency about finding a solution.

the past which show that if something isn't done, health care as we know it will simply become unaffordable," the ministry spokeswoman said.

For a country that prides itself on providing good, affordable health care for all, regardless of income or age, the difficulties ahead are obvious and worrying.

The Dutch population is aging rapidly and living longer than before. This, combined with medical advances in heart disease and cancer treatment, means that the cost of health care — already equivalent to one-tenth of gross national product (GNP) — is bound to rise. The problem is compounded by the fact that the working population, which largely funds the health and social security systems, is expected to shrink in the next century compared with the size of the elderly population.

The most difficult time for the health and social security systems will be the years 2010-2030, when the baby boom generation of the post-World War II era begins to reach retire-

ment age. In 2010, for example, about 3.56 million Dutch people will be over retirement age, twice as many as in 1987, but the overall population is not expected to be significantly higher than today's 14.57 million.

With this in mind, the government appointed a panel headed by Wisse Dekker, former president of the Philips electronics group, to draw up recommendations for the future structure and financing of the health system.

The so-called Dekker Commission recommended earlier this year a radical restructuring of the health insurance system.

Its overall recommendations are complex, but they boil down to this: the national health insurance scheme should be transformed into a compulsory, basic package covering 85 percent of possible health risks and costs, such as visits to the doctor, hospitalization and surgery. People would then have the option of taking out private health insurance to protect themselves against the remaining 15 percent of potential health problems and costs, such as dentistry, physical therapy and medicines.

The commission argues that health care costs can be kept down by injecting into the system more competition among health insurers and by making patients more aware of the true costs of care by, for example, giving them the choice of whether or not to take out supplementary private coverage. But it also rejects the idea of giving market forces free rein.

"The proposed strengthening of the market orientation of the system is meant only to create greater flexibility. . . . The quality of and access to care must be safeguarded under all conditions," it said.

Under the current system, about 70 percent of the population falls under a compulsory state insurance scheme that provides most services free of charge, such as treatment by

doctors and specialists, stays in general and psychiatric hospitals, medicines, and some dental work.

To qualify, people must earn less than 49,150 guilders (\$24,575) per year. The insurance premiums are roughly equivalent to 10 percent of wages, with both employers and employees contributing to the costs. People who earn more than 49,150 guilders are free to take out policies from private insurance companies.

If the Dekker Commission report is implemented, the division of employees into compulsory and privately insured groups would end, but people who once enjoyed full coverage under the old scheme would now be covered for only 85 percent of risks if they do not take out additional private insurance.

The government has yet to take a firm stand on the commission's findings, but it is not expected to endorse them in their entirety. Parliament is to debate the report this fall.

Lower income groups would see the quality of their health care decline if they could not afford the extra private insurance. People with higher earnings, by contrast, would have little difficulty in taking out additional insurance.

"People living on state benefits will hardly be prepared to insure themselves against the 15 percent portion that is not included in the basic health package," the head of Utrecht's health service wrote in a recent newspaper article. "If they can't pay, the social welfare office will have to foot the bill provided, that is, it is able to do so. If it can't, then we'll have the same state of affairs as in the U.S., where large groups of people have no access to certain types of care."

RON VAN DE KROL, a journalist based in Amsterdam, helped coordinate this report.



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Economic Front: Auster Years Bring Some Signs of Relief

Continued from page 7

government's economic management is also moderately upbeat. Economic analysts at the Paris-based Organization for Economic Cooperation and Development (OECD) believe that the past five years have seen some significant accomplishments.

"In many respects," said the OECD's experts recently, "the new strategy adopted by the authorities in 1982 has had a considerable measure of success: Growth of output, investment and employment have all increased, the jobless rate has declined, the central government deficit has been substantially cut back and the inflation rate is one of the lowest in the OECD area. Furthermore, with domestic demand beginning to take over from exports, growth in 1986 was more soundly based."

"However," the OECD's analy-

sis added, "these favorable developments cannot mask the large imbalances that remain. At about 13 percent of the labor force in 1986, the unemployment rate is still one of the highest in Europe. The central government deficit is in excess of 6 percent of national income, resulting in an increase in public debt which has now reached a level equivalent to 70 percent of GNP."

Mr. Ruding's reading of the economic situation has nevertheless been upbeat enough to permit him to relax some of the stringency that has been such a hallmark of the Lubbers government since 1982. In mid-September, at the *Prinjesdag* ceremonies in The Hague that mark the opening of the parliamentary year, Mr. Ruding unveiled a 1988 budget that was mild by the standards of previous years and had as its centerpiece 1.35 billion guilders (\$670 million) in tax relief.

For the first time in seven years, the personal income tax rate in the Netherlands is to be reduced. Mr. Ruding has argued consistently that any leeway in the government's finances should be used to trim back the huge budget deficit, but political imperatives and the urging of his cabinet colleagues clearly won the day. The result of the tax cuts is that household disposable incomes in the Netherlands are due to rise appreciably next year — by an average 452 guilders per taxpayer — at the same time companies' labor costs will be reduced.

The new budget is, however, hardly a giveaway package. The spending cuts that have sliced deep into the country's public sector and its sprawling government departments are to continue next year. Civil servants' salaries are to be reduced, the payment of certain investment subsidies is being temporarily frozen, welfare benefits

are to be shrunk and the budgets of government departments also are to be cut. In all, the government spending cuts next year will total 7 billion guilders, so once extra expenditures for 1988 are taken into account, the net saving works out at some 4 billion guilders. That will reduce the central government budget deficit by 0.4 percent so that it will stand at 7.2 percent of the national income (the Netherlands' version of GDP, which allows for depreciation).

In short, Mr. Ruding's decision to relax economic austerity means that the government will marginally overshoot its own target of reducing its 1988 budget deficit to 7 percent of national income. Total spending will be 168 billion guilders and revenues will be 144.4 billion guilders, and the public sector borrowing requirement, at 0.4 percent, will be slightly higher than this year's 0.3 percent.

The government's medium-term strategy, encompassing the budgets between 1987-1990, has four basic targets: to further reduce the budget deficit to 5 percent of national income; to avoid increases in income tax and social insurance contributions; to further cut the number of unemployed from 700,000 today to 500,000 by 1990, and to stabilize both the cost of social benefits and the incomes that can be derived from them.

Yet the outlook for the Netherlands' extremely vulnerable export-minded open economy is not too rosy. Although the Lubbers government has performed creditably in such areas as job creation, where it has made some encouraging inroads into the 1985 unemployment total of 840,000 people, and in the stimulation of a more dynamic climate of enterprise, the forecasters paint a somber picture. The OECD's forecast points to

slower output growth and weaker export performance, with a consequent deterioration of the balance between revenue and public spending. The Central Plan Bureau, a semi-independent agency, sees the Dutch economy expressed as GDP dropping by a half a point to 1 percent next year, which would push it substantially down against the expected European Community average of 2 percent.

Growth has understandably been the chief victim of the Ruding austerity drive. Since 1982, it has averaged only 1.9 percent a year, against an EC average of 2.2 percent, and now even official government forecasts see still greater stagnation during 1988. For Mr. Ruding, the reform and streamlining of the economy represents a long uphill road.

GILES MERRITT is a journalist based in Brussels.

A case for stepping on it.

Engineers in the automobile industry are developing sensational ideas for replacing mechanical constructions with modern electronics. But some ideas are too advanced for practical application. For example the petrol cable.

The idea is to install a tiny transmitter under the accelerator, which would send impulses to a precision receiver near the carburettor or the fuel injector. This receiver would control the fuel flow which the driver regulates via the accelerator pedal. But fine electronic components like these are extremely vulnerable.

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Labor Market Worries

Stubborn Jobless Rate Defies Easy Cure

By George Gudauskas

THE HAGUE — The taxi driver, easing his cab away from the curb, said he was unsure whether he could get through because a labor strike had disrupted morning traffic.

Some civil servants were angry, he said, because the government had promised high-level workers a small raise but had offered nothing to those below.

When you have that, you have trouble, he remarked.

Strikes, once almost unheard of, are a new though small part of the overall labor picture in the Netherlands, where the government has adopted an austerity program to fight a budget deficit and shrinking revenues.

Persistently high unemployment is the main labor worry, with as much as 17.4 percent of the work force, or 681,400 people, idle, most for long periods of time.

A rapid inflow of young people and women, often seeking part-time work, is occurring at the same time as older workers are leaving the labor force more rapidly, through retirement plans and phase-out programs.

Job needs and wants are often difficult to match in certain markets, the report said, increasing unemployment.

The study also said that a "large and growing share" of the unemployed are poorly educated, lack appropriate skills and come from declining industries or from construction.

Many are staying jobless longer. Most worked previously in low-paying jobs and, if they find work, are likely to be paid low wages.

"In contrast," the report said, "increases in employment are concentrated in higher skill jobs, a trend likely to continue."

Jean-Claude Puye, secretary-general of the OECD, recently told the European Parliament:

"We are living in a time of far-reaching change, the crux of which is probably to be found at the intersection of three areas: international trade, scientific and technical progress and changes in human society."

"If our countries find it so difficult to find effective lasting and socially acceptable solutions to the unemployment problem, which is undoubtedly the most dangerous threat, it is largely because we do not fully understand these changes."

Reducing unemployment is a high priority for the government, although critics claim that it is second to eliminating the budget deficit. They also say that job creation is failing to meet demand.

In his budget message to parliament in September, Finance Minister H. Onno Ruding predicted increased employment next year.

Mr. Ruding said that 25,000 more people would be put to work, boosting the number hired in recent years to 385,000, an average annual increase of 1.5 percent, against a 0.5 percent average in the European Community.

"Nonetheless, the level of registered unemployment in the Netherlands remains high, owing to the sharp increase in the number of people joining the labor market, compared with other countries," he said.

He urged wage restraint and further cuts in public spending as part of an economic growth plan that is designed to help increase jobs and trim the deficit to 7.2 percent of national income.

He said the government had set aside extra money to improve employment in 1988 to bring the total to more than 1 billion guilders (\$500 million).

The aim is to reduce unemployment to under 500,000 by 1990, a goal some feel is unattainable because of declining economic activity.

As an OECD report released in August said: "Further progress in reducing unemployment down to more acceptable levels may prove more difficult than envisaged by the authorities in the 1987-1990 budgetary program."

Asked if the goal could be met, Frans H.A.M. Kruse, director-general for employment in the Ministry of Social Affairs and Employment said, "I don't think so."

He said that more people can be trained for jobs but that he didn't think labor opportunities would grow enough to compete with the growth of demand.

"That's our main problem," he added. "As a result, Mr. Kruse said, the government is directing its main efforts at 'sifting' or 'recycling' employment."

"We accept the effects of substitution in the market. We give one a chance at the cost of another one. That's our main policy at the moment," he said.

He also questioned whether the Netherlands, with a population of 14.6 million, will ever need a labor force of five million again.

And he disagreed with the government's "free market" priorities. He argued that public works projects, while not effective economically, are socially acceptable and could help ease a problem with high social consequences.

"I think there are more opportunities toward full employment by investing in the national market, especially public activities," he said.

Mr. Kruse predicted that, if the administration of Prime Minister Ruding

Lubbers doesn't succeed in his goal of reducing unemployment to under 500,000 in the next two years, his policies will change.

In an analysis of economic trends, officials of the U.S. Embassy said in June that the Dutch government's employment programs have not succeeded in significantly creating new jobs.

"Indeed, the government's key youth employment scheme depends on finding municipal jobs at a time when austerity is reducing civil service ranks," the analysis said.

"It appears that slower growth may cut the rise in employment this year in half," it said. "If so, the labor market would barely be able to absorb new entrants and unemployment could grow next year as economic expansion slows still further."

CRITICS of Dutch policies argue that high marginal tax rates, a minimum wage that is almost double that of the United States, and a liberal income-support system create disincentives.

In its study, the OECD said a decline in the minimum wage might encourage demand for labor, since many of the unskilled jobless likely to be hired would be given jobs at a wage near the minimum rate.

However, the report questioned what the response might be to a reduced minimum "in the face of a generous income-support system," one of the more elaborate in Europe. The study said further reducing joblessness might require more changes in the system than now envisioned.

"But this obviously depends on national preferences and the value attached to noneconomic criteria, such as maintaining social cohesion and equity," the study said.

C.J.A. van Lede, president of VNO, the largest business and industry group, said his members realize that "in no way can you have flourishing business in the long run if you will continue to be faced with unemployment of that magnitude."

"Socially, it's unacceptable," he said, but noting "It's very tough, very, very tough to not only find the measures, but to get agreement on the basic legislation that has to be made in order to get these people to work."

"You can train them," he said, "but you have to have jobs at the same time."

His organization's lobbying effort is geared to reducing the minimum wage, long a sacred cow in the country, to help diminish unemployment.

Another issue is the reduction of the work week, from the current 38 hours to 32 by 1990. The large unions favor this move, but employers claim it would be too costly if wages are not reduced as well. The government has officially supported a shorter week.

Mr. Van Lede said the federation believes "that the real issue in this country is redistribution of work, which does not equal shortening of the work week."

Part-time labor has been the most effective way of doing this, he said. Mr. Van Lede termed labor's shorter-week goal "totally unrealistic," and said it was not supported by rank-and-file union members.

"You can say it was the resistance of the employers, fair enough. I'm happy to hear that, on the one hand," he said. "On the other hand, if they really wanted that more than pay, or income, whatever, they would have pushed it through."

Henk Leemreize, economic adviser to the 900,000 member trade union federation, FNV, said, "It's still a big issue, but the employers are not really willing to negotiate further reduction in the work week," claiming it would be too costly and too complex.

Coming to Terms With the Tough Jobs Issues



Social Costs

"Half of our labor reserves consists of persons who are unemployed for more than one year, and about 30 percent has been unemployed for more than two years. You see an enormous labor reserve that cannot be brought into the labor market again. I think that's our main problem, and it's of course a social problem... and it has high risks..."

Frans H.A.M. Kruse, government official

Flexibility

"We are of course against forms of flexibility which in practice mean that some workers have all the rights of the world and some workers have no rights at all. At this moment there is a hardcore of workers who have all kinds of protection, and there is a fringe of second-hand and third-hand workers who have no protection at all... and that is a very wrong development."

Henk Leemreize, union adviser

Retraining

"We are converting, very successfully, unemployed university graduates into employed people. We convert 300 or 400 per year. It's damn successful... But, in terms of quantities, I mean a couple of hundred converted university graduates into employable positions is not solving the unemployment problem of the country."

C.J.A. van Lede, industry spokesman

Photograph by John Cooper/Herald

For public sector workers, who have had repeated wage freezes, the issue is pay. Unionized civil servants are "furious" over the recent plan to grant a small increase to high-level workers and none to their underlings, Mr. Leemreize said. More strikes are possible among his 250,000 organized workers, who want across-the-board pay increases.

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GEORGE GUDAUSKAS is a freelance journalist based in Paris.

Reading the Dutch Character in Stormy Skies

Continued from page 7

that the girls in the windows of the Amsterdam red light district (with its canals and 17th-century houses) are the modern warnings against sex, drugs and AIDS. (The annual nighty procession of pious Catholics, the Silent Walk, leads straight through this beautifully dirty district). But having said this, I still cannot escape from the thought that in a moralistic sense, the Dutch want to show that they accept the reality of life. They have nothing to hide. They are tolerant and responsible.

A Belgian poet told me once: "You Dutch are supposed to be a tolerant nation. I had my doubts. But it is true. You have kept that long tradition of tolerance. But before being tolerated,

one has to go through a harsh intolerant phase." He said that when he came to the Netherlands, he always felt he was cross-examined on moral issues like euthanasia, incest, cruise missiles, treatment of drug addicts, etc. The questions had to be answered properly. Only then were he and his opinions respected. The poet thought that this aggressive and rather offensive behavior was due to the ridiculously high density of the population. It was impossible to ignore each other. Social control was strict. Like a big family in an overcrowded house, the Dutch knew that the only way to survive was to live and let live.

In many aspects, the Netherlands is an overorganized country. Even to ride a horse, one needs a license, issued after a severe examination. But in this country of laws and rules, children are amazingly free and undisciplined. Already in the last century, foreigners complained about the Dutch vandals. Friendly Amsterdam has always been anti-authoritarian and somewhat anarchistic. Adults never lose their childhood tricks.

After 20 years abroad, it was, on my homecoming, difficult to appreciate the reality of the unruliness of Amsterdam, where even in decent circles stealing a bike is not always considered a crime anymore. I was asked to concentrate on the real issues, the crimes that make Amsterdam really unsafe. The crime rate is lower than in most other capital cities. It is discussed in the media with an astonishing openness and frankness, not so much in terms of law and order but as a moral problem. In central Am-

sterdam, the rich and the poor, junkies and the yuppies, the squatters and the burghers live next to each other. One often gets the impression that the dangerous and violent addict should be seen as the prodigal son.

The Dutch have come to see that their humanitarian approach in solving the drug problem and fighting crime may have been too idealistic. The times have changed. Even Dutch people have protested against the opening of centers for Tamil refugees near small villages. The villagers accepted their normal duty to accept a few dozen refugees but they could not cope with hundreds of Asians the government had intended to send to a nearby empty monastery. Not all is lost.

Ten years ago, the Netherlands loved to see itself as the Conscience of the West. The Dutch were the darlings of the Third World. They favored an oil boycott against South Africa (an idea initiated not by socialists but by members of the ruling Christian Party), and two years ago even the prime minister had soul-searching doubts about the cruise missiles.

The Netherlands is toeing the line again. It is a painful process. We are living in boring times, the editor of the largest quality newspaper remarked, as if our country has fallen back to dull mediocrity where excellence and creativity are suspicious.

The negative press reviews make us fear that we have no more to offer than windmills, clogs and tulips from Amsterdam. We will prove them wrong.

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*Source: Media Scanner '84

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es in the automobile is developing sensorial replacing mechanical sensors with modern electronics. Ideas are too advanced application. For example able. is to install a tiny transfer the acceleration which impulses to a precision ear the carburetor in the air. This receiver would fuel flow which the driver in the accelerator pedal. But only components like these rely vulnerable. is was needed to protect the its from salt, moisture and cold. One strong attempt to hold extreme conditions is installing ns from the raw to the temperatures, and the impact shocks. solution was found in the tes of DSM, one of Europe's chemical companies. Their me 1500 research employees elop new sensorial components mobile industry involving.

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Two-Market Approach to Trading

Amsterdam Confronts London With Technology and Tradition

By Ronald van de Krol

AMSTERDAM — By this time next year, the Amsterdam Stock Exchange will have reorganized and redesigned its trading floor to accommodate the arrival of video screens and other computer equipment that is intended to keep Amsterdam in step with the technological revolution on world financial markets.

well short of allowing market participants to trade directly through the exchange's new computer hardware and software: the trading floor will continue to exist, at least for the time being. This two-pronged approach — introducing far-reaching automation while retaining the bourse floor — sums up Amsterdam's response to the challenges of Big Bang and the threat that trading in Dutch shares and bonds will gradually seep even further to the London market.

trading in guilder paper here rather than in London. The first phase of the multiyear project will concentrate on the automation of routing orders and trading information, to be followed later by clearing and settling systems and price information. The total cost of the stock exchange's transformation is estimated at up to 30 million guilders (about \$15 million).

officially take place outside the regular market but are seen as a way of persuading institutional investors to continue to do business in Amsterdam. In addition, the Amsterdam financial community successfully persuaded the Dutch Finance Ministry to cap the 0.12 percent stamp tax on Dutch share and bond transactions at 1,200 guilders, effectively abolishing the tax on deals worth more than one million guilders and thereby stimulating block trading.

provide a sufficient guide to the market climate. "I believe that seeing each other on the bourse floor, feeling the atmosphere and the levels of activity and inactivity there, and observing your competitors, your colleagues and the jobbers all contribute to your knowledge of the market," he said. Mr. Vroegop said this was illustrated by the chaotic conditions in London in early August, when base rates rose unexpectedly and the stock market dropped sharply. Many dealers simply abandoned their screens and stopped trading because they no longer had any sense of the market, he said. In Amsterdam, by contrast, face-to-face trading on the bourse floor provides a form of "social control" that ensures that market participants will continue to trade.



Traders on the floor of the Amsterdam Stock Exchange.

As Gas Slu... By George Gudavickas... THE HAGUE — W... Amsterdam's... market... technology... tradition... Amsterdam's... market... technology... tradition...

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He said the main difference between Amsterdam and London was that London had abandoned a "central" or "auction" system of trading, in which supply and demand of the entire market are brought together at a central point, in favor of a "dealers" system, in which trading is a bilateral transaction between two parties.

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participants to trade among themselves, either directly or through a broker. Another frequent complaint about the present system is the lack, in practice, of a strict system of clearing and settling transactions. Amro Bank's Mr. Vroegop said the hoekman firms were always the last in the chain to pay when a deal is struck, meaning that other market participants, such as the banks, end up effectively financing the hoekman.

THE PRIVATE placement market in the Netherlands is another example of a large market that exists without a formal trading floor; worldwide, the best example of a huge market that functions well without a trading floor is the foreign exchange market, he said.

While discussion continues about the eventual future of the bourse floor in Amsterdam, banks and other financial institutions are looking critically at the Amsterdam system of "single capacity" trading that requires that all orders for shares and bonds (except those in the AIM system) be executed via the Amsterdam hoekman, whose function is similar to the former jobber's role in London or the specialist's role in the United States.

But Mr. van Dort of the Morgan Bank said the Amsterdam market was likely to remain fundamentally imbalanced between the relatively small hoekman firms and the market's major class of players — Dutch pension funds whose portfolios of stocks, bonds and property run into the billions of guilders. "Under the present system, only the hoekman firms are allowed to be market makers, but often they simply can't because they don't have the capital strength," he said.

sayings the hoekman often does not have the financial strength to quote prices on large deals and, therefore, sometimes stands in the way of transactions being done.

In the past few years, various hoekman firms have merged or have strengthened their capital base to meet the challenge of doing business in the 1980s. Baron van Iersum said he expected this trend towards larger and stronger hoekman firms to continue.

But Mr. van Dort of the Morgan Bank said the Amsterdam market was likely to remain fundamentally imbalanced between the relatively small hoekman firms and the market's major class of players — Dutch pension funds whose portfolios of stocks, bonds and property run into the billions of guilders.

Mr. van Dort said that Amsterdam should be glad that several London houses were prepared to make a market in Dutch paper because this injected needed liquidity into the guilder market. He said an "open broker dealer system" would be a better model for Amsterdam, allowing market

participants to trade among themselves, either directly or through a broker. Another frequent complaint about the present system is the lack, in practice, of a strict system of clearing and settling transactions. Amro Bank's Mr. Vroegop said the hoekman firms were always the last in the chain to pay when a deal is struck, meaning that other market participants, such as the banks, end up effectively financing the hoekman.

A "crystal-clear" clearing and settlement was necessary not only to keep Amsterdam abreast with foreign markets but also to meet the requirements of modern cash management used by the banks' customers, he said.

Despite some imperfections in the Amsterdam system, Mr. Vroegop said he was satisfied so far with Amsterdam's ability to compete with other financial centers, including London. Initial expectations that post-Big Bang London would lure a significant amount of trading in Dutch, German and other foreign shares or bonds away from their home markets have proved to be exaggerated.

The 12 months since Big Bang have shown that it is exceedingly difficult and risky for financial houses in one center to trade shares that have traditionally belonged in another.

"Cultural differences exist from one market to another in how shares are traded or valued. You cannot simply take the price/earnings ratio of a Dutch stock, compare it with that of an Italian, German or Japanese share, and decide which one is undervalued. You need home market know-how," he said.

Mr. Vroegop and other Dutch bankers cautioned against expecting too much from the stock exchange's plans to stimulate trading in U.S. and Japanese shares in Amsterdam using the new, simplified depository certificates called Amsterdam Security Account System (ASAS).

The bourse, drawing on its reputation as an international exchange that lists more foreign shares than Dutch ones, hopes to boost such trade with the help of Japanese and U.S. members of the Amsterdam stock exchange. Eventually, the exchange hopes Amsterdam will be used by American investors as a sort of pre-New York or post-Tokyo market when those centers are closed.

But the best way of developing such a market in Amsterdam would be to persuade other European bourses to join in to help create one uniform system for trading U.S. and Japanese stock in the continental European time zone, Mr. Vroegop said.

Investment

By Sjoep Mooradian... AMSTERDAM — Group... investment... market... technology... tradition... Amsterdam's... market... technology... tradition...



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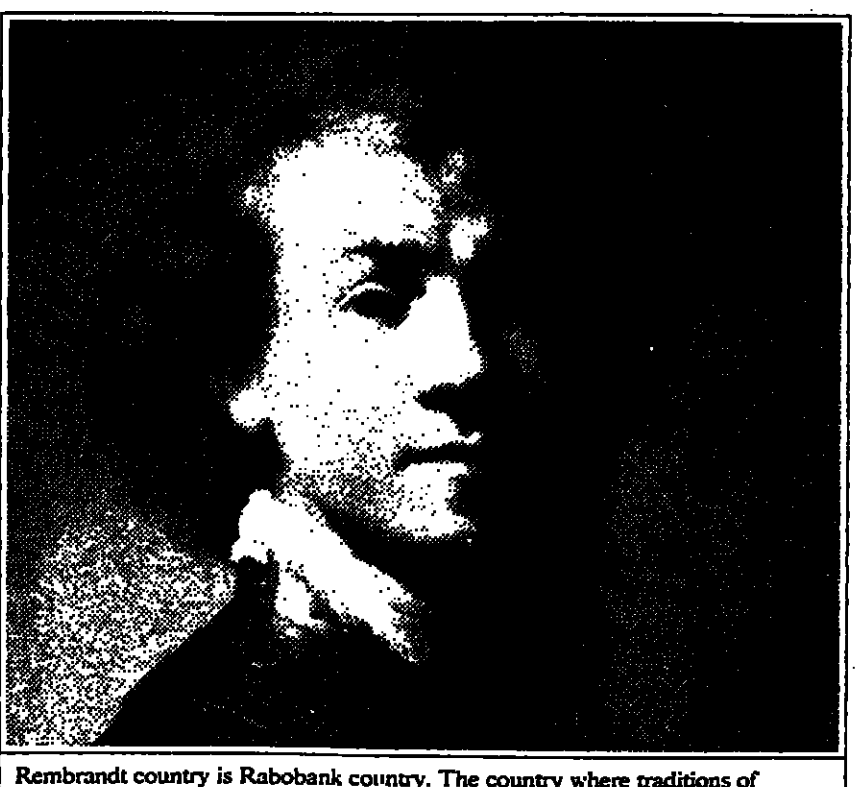
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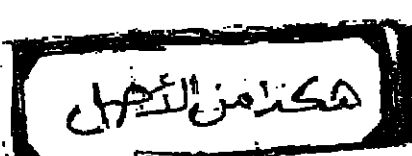
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That Sinking Feeling ■ New Money for Growth

As Gas Slumps, So Goes Land

By George Gudanskas

THE HAGUE — With the fall in gas revenues in the Netherlands comes another sinking feeling for the Dutch — the land over the huge gas field in Groningen is subsiding.

Like a large balloon losing its air, the gas field in the northeastern part of the country, which has given up half of its known reserves since its discovery in 1959, is losing pressure, ever so slowly, so that over the next half century the earth above it will droop slightly.

The phenomenon, called subsidence, poses a costly problem of adjustments in this low-lying country.

"Our problem is that we're a very flat country and a low country, so that what's happening is we expect a disturbance in the water household [table] on the top. So then you have to adjust things," said Chris Staudt, director of the Netherlands Geological Survey.

For instance, in the port town of Delfzijl, with its modern yacht harbor and windmill in the village center, expensive engineering projects will have to be undertaken to cause "lifting" as the land subsides and water levels rise.

Hundreds of bridges and canals that crisscross an estimated 500 square kilometers (342 square miles) area will have to be altered as the Earth turns into a broad soup bowl whose center is expected to dip from 50 to 75 centimeters (20 to 30 inches).

A 650 million guilder (\$325 million) fund has been set up to cover the costs of these projects, officials said, and a commission has been established to examine claims and to study ways to prevent damage.

The authorities say that the population is not expected to be endangered because the change in the landscape will be so gradual it will go almost unnoticed.

"This is perhaps, in terms of public opinion,

quite a concern," said Jean Gerin, managing director of Petroland, one of the many companies in the Netherlands searching for and exploiting gas and oil reserves.

"But, in reality," he said, "I can tell you definitely, scientifically as well as technically, this is not a big problem."

Pipes buried in the ground will not suddenly surface like homes in a forgotten cemetery. Nor will vehicles vanish into the ground with a whoosh. And no houses will crack and crumble, the experts say, although there are those who argue to the contrary.

"It's very slow, it's very gradual, and it's a flat movement," said Frank Durt, spokesman for the Netherlands Oil movement, the joint Shell-Exxon venture operating the field, which is the largest in the Netherlands. Unlike a cave-in, he said, "it's a total movement in the Earth's layers so the whole area sinks."

"There are, of course, people who think otherwise, people who always disagree," said Wiel G.J. Huijnen, a government energy specialist. He and others suggested that those disagreeing might be trying to take advantage of money made available to cover damage caused by subsidence.

The changes will be far less dramatic than those that began two years ago in the Ekofisk field in the North Sea off Norway, government officials said. There, huge oil and gas rigs and their crews were endangered when the seabed suddenly began sinking by meters, instead of centimeters, causing great concern and costly countermeasures.

"We have to be very, very careful," Mr. Huijnen said, "that it is not compared to what happened in Norway. It's completely different. It just cannot be compared."

The main difference is that Groningen gas, thousands of meters deep, is contained in sandstone that is capped by a thick layer of rock salt. Ekofisk's field was covered by soft chalk,

according to Mr. Staudt, the geological survey director.

"We are lucky it's sandstone, so that the total compression of the sandstone in itself will only be very small," he said, adding that the salt layer also absorbs small movements in the gas field.

"But, of course, there will be some subsidence," he added. "It's a consequence of taking something out."

If the Groningen phenomenon is left unattended, however, a shallow lake 40 kilometers wide will form where the subsidence centers, as rain water collects and ground water levels rise to the Earth's surface.

Significant amounts of new pumping will be needed, authorities said, to handle the water problems in this sparsely populated province of farms and villages already at or below sea level.

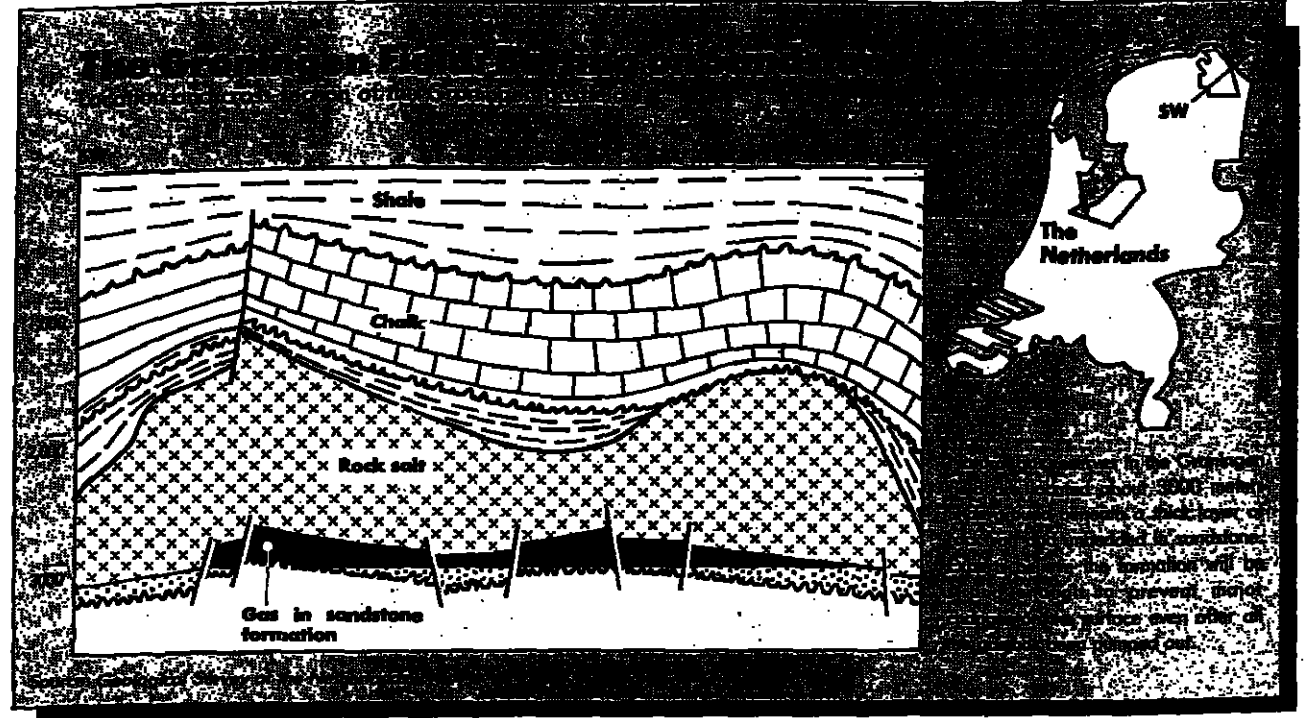
In addition, new canals will have to be dug and more sluices, flood gates and dams constructed, they said.

Mr. Durt, the spokesman for the Nederlandse Aardolie Maatschappij (NAM), the Shell-Exxon operation, explained: "Yes, if nothing were done you would completely destroy the water household [table], lakes and canals and so on. And the protection along the coastline wouldn't be on the right level anymore. So when we do have this big wave every hundred years, then the northern part of the country could be flooded — the harbor area, not the dikes."

The task ahead is "to see and prevent that," he said. "And that's no problem. The money is there, the knowledge is there, and the works will be carried out in the next 10 years."

A fund totaling 650 million guilders has been created to cover the costs, such as studies and work projects that will have to be undertaken. Officials said that the fund is open-ended, according to possible needs and is open-ended.

"More important is that there is an agree-



Richard Yessell/PH

ment between the NAM and local authorities — with the province of Groningen — when measures must be taken, NAM will pay for them," said Peter A. Scholten, director for general economic policy and mines in the Ministry of Economic Affairs.

In addition to the fund, a six-member independent commission was established in 1984 to review claims for damage and to recommend measures to prevent future damage.

In its report for 1986, the commission — three of whose members are nominated by NAM and three by the province — said that so far it has paid out more than 9.5 million

guilders in claims, plus 11.6 million guilders for studies and the like.

The largest payment last year, 3 million guilders, was to deepen sluices in the village of Gaarkeuken in anticipation of setting terrain there.

He dismissed reports by some people who said that cracks in their homes were due to the sinking caused by the withdrawal of gas in the province.

Jan Abrahamse, chief editor of a 35,000 circulation magazine, Wabbenbulletin, an environmental and geographical publication distributed in the Netherlands, West Germany and Denmark, agreed that some of these reports were baseless.

The Groningen-based editor said that he had personally examined certain claims and found them untrue.

The main worry for the province brought on by subsidence involves water, he said, with pumping and other measures needed where rivers flowed naturally to the sea.

"That will be a big problem," he said.

Farmers usually are the first to know when the water or the land is changing, said Pieter Bakker, chief of external communications for Netherlands Gasunie, the sole distributor of gas from the Groningen field. And he added, "For years, we haven't heard from them."

Investment Surges on Cheaper Oil, Higher Corporate Profitability

By Sonja Mooradian

AMSTERDAM — Cheap oil, deflation, a stable government, a healthy economy, higher corporate profitability and a quiet labor market have together provided the impetus for a major surge of investment in the Netherlands over the last 18 months.

Last year saw a record increase in investment — up 11.5 percent from 1985. This year, the government projected an increase of only 5 percent, but companies are continuing to take advantage of cheaper steel and oil prices to modernize or build new facilities.

And although profit margins have come under pressure because of the guilder's strength within the European Monetary System, turnover has been higher, resulting in growth. With higher corporate profitability, companies are retaining their earnings and investing them in expansion.

In previous years, inward direct investment had been heavily depressed by repatriation of balances by foreign parent companies, according to De Nederlandsche Bank. But the level of investment was so high that 1986 actually saw net lending from foreign parent companies.

According to the U.S. Commerce Department, direct U.S. investment in developed countries increased by 13 percent in 1986. "Among these countries," it said, "the largest increase — \$4.6 billion — was in the Netherlands."

After major investments in the

energy sector were put on ice last year because of weak oil prices, there has been a spurt of investment in this sector. Most of the money is now going into major restructuring programs.

Last year saw a record increase in investment.

For instance, the Dutch subsidiary of Texaco is spending 50 million guilders (\$25 million) to re-vamp and expand its refinery at Pernis. Texaco currently holds second position in the Dutch automobile gas market behind Shell.

The chemicals sector has also drawn huge investments despite the Environment Ministry's tough restrictions on the industry. Investments totaled 3 billion guilders last year and are expected to reach 3.7 billion guilders this year. Royal Dutch/Shell, for example, has stepped up a 500-million-guilder investment program that lay dormant for a year.

The chemicals sector has for many years been vital to the Dutch economy and has drawn huge investments (17 percent of total Dutch industry in 1986) in the last two years. But De Nederlandsche Bank has warned that the Environment Ministry's policies may make some new investors in this sector shy away from the Nether-

lands as a site for new production facilities.

The lion's share of investment in research and development comes from the chemicals sector.

More fundamental perhaps is renewed confidence in the offshore sector; almost \$2 million is slated for new drilling and production platforms next year by Pennzoil and Petroland. These are the first investments in the offshore industry since the oil price fell last year. At that time, the Nederlandse Aardolie Maatschappij (50 percent Exxon, 50 percent Royal Dutch/Shell) decided to shelve a 2 billion-guilder investment in the 'F3' oil and gas project. This year, NAM invested 1 billion guilders and will increase its investments to 2 billion for 1988.

However, despite lower drilling tariffs and depressed steel prices, the company will not resume the F3 project until it is confident that the current oil price of around \$18 a barrel is a stable one.

Confident that the coalition government's policies will contin-

ue to result in economic growth and minimal labor conflicts, companies outside of the energy sector have also shown a willingness to invest more.

Earlier this year, Elsevier NV, a publishing house, spent 500 million guilders on nearly half the shares of a smaller publisher, Kluwer NV; the Weolters Sam-

son Group spent around 500 million guilders on the other half. Douwe Egberts, tobacco and coffee merchants (94.5 percent Sara Lee Corp.), took a major step

in diversifying its business when it purchased Akzo and Royal Dutch/Shell's consumer products division for 1.25 billion guilders. The fast-food chain McDonald's

will more than double the number of restaurants it has in the Netherlands, with an investment of 100 million guilders over the next few years.

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MONDAY, NOVEMBER 2, 1987

EUROBONDS

Stampede to Safe Houses Gratifies Some Goliaths

By CARL GEWITZ
International Herald Tribune

PARIS — The international capital market is being fragmented by the stock market crisis, bankers report. As investors rush for protection to bonds — and then only the highest-quality government, state-guaranteed and supranational issues — they also appear to be directing their business to intermediaries that offer the same security: banks and securities firms certain to be in business after the dust settles.

"There's a lot of bad news still to come out, houses that have been hit by speculating that could take some time to surface," says one banker. With the rumor mill running at full speed, he adds, an increasing amount of the business being transacted is passing to the biggest financial institutions.

If unchecked, bankers agree, the number of institutions active in the Eurobond market could shrink. Such a retrenchment would reduce the amount of capital committed in the market and therefore its liquidity. But bankers at some of the major institutions insist that this would not be a major setback. They complain that too many firms claiming to be market makers do little more than trade with other dealers, adding no real liquidity to the market and jumping on bandwagons when prices appear to be headed up or down.

The view at the major firms is that less competition would allow for more reasonable pricing and ultimately better profits for those remaining in the business — a result of both bigger spreads between bid-asked prices and increased volume.

Regardless of whether there is a shakeout among the professionals, investors' focus on quality and liquidity is already fragmenting the market. The major market makers that previously quoted prices in hundreds of issues report they are cutting their lists to fit with investor demand.

Bankers say they are unwilling to be market makers in small issues, which are largely defined as anything below \$200 million, because there is not enough paper in circulation to assure availability. And among the larger issues, only those of unquestionable quality are being taken into inventory.

In the future, these bankers say, borrowers will have to tap the market less often but for bigger amounts.

ALMOST ALL SECTORS of the Eurobond market rallied last week, the result of massive injections of liquidity into money markets by central banks in an effort to calm the equity markets and to halt the dollar's slide.

This is a maneuver that can work only if it is aimed at gaining time: giving President Ronald Reagan and Congress the time to agree on a credible reduction in the U.S. budget deficit. But that compromise needs to be in place before the pump-pricing begins to show up in an explosive growth in the domestic money supply figures.

If the budget deficit is cut, such monetary ease in the United States would help offset the depth of the economic slowdown and the decline in the dollar, which would result from both the deficit reduction and the decline in consumer spending resulting from the collapse in stock prices.

At the same time, if Washington restored international confidence in the dollar and in U.S. assets, there could be a capital inflow from West Germany and Japan that would help reduce growth in the money supply in those countries.

By contrast, if Washington drags its feet on the budget, the money-supply growth figures could become worrisome — a precursor of renewed inflation — and cause a tightening of monetary policy in West Germany and Japan.

Activity in the Eurobond market last week indicated that investors assign a high probability to the latter scenario. There was a huge rush to buy floating-rate notes, which are the safest haven when interest rates rise.

Euroclear, the larger of the two clearing houses for trading Eurobonds, reported that \$19.96 billion of dollar-denominated Eurobonds were traded last week, the largest volume since last year. FRNs were traded last week, the largest volume since last year.

Bankers said that this demand was overwhelmingly for sovereign paper, especially the FRNs issued by Britain, Belgium, France and Italy.

There were some efforts last week to tap into this demand. The Bank of New South Wales, which carries the guarantee of the state of South Wales in Australia, sought the market on whether it would accept \$250 million of 10-year extendable notes bearing a coupon of 7/4 percent over the London interbank offered rate and fees of 1/4 percent.

In the end, the issue never surfaced. Bankers explained that their quality-conscious clients were not receptive to Australian risk because of the country's exposure to a downturn in the U.S. and Japanese economies. In addition, some bankers said their

See EUROBONDS, Page 15

Currency Rates

Currency	Par 5	Par 1	Par 1/2	Par 1/4	Par 1/8	Par 1/16	Par 1/32	Par 1/64
Australian \$	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
British pound	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Canadian \$	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Deutsche mark	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
French franc	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Swiss franc	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
West German mark	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

Closes in London, Tokyo and Zurich. Flashes to other centers. New York closing rates. a: Commercial banks; b: To buy one dollar; c: To buy one euro; d: Units of 100 N.Z. dollars; e: Units of 100 Swiss francs.

Other Dollar Values

Currency	Par 5	Par 1	Par 1/2	Par 1/4	Par 1/8	Par 1/16	Par 1/32	Par 1/64
Argentine peso	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Brazilian cruzeiro	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Chinese yuan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Indian rupee	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Israeli sheqel	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Japanese yen	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
South African rand	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Thai baht	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
West German mark	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

New York rates unless marked * (local rates)

Forward Rates

Currency	30-day	60-day	90-day	120-day	150-day	180-day
British pound	1.71	1.71	1.71	1.71	1.71	1.71
Deutsche mark	1.75	1.75	1.75	1.75	1.75	1.75
French franc	1.66	1.66	1.66	1.66	1.66	1.66
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	1.35	1.35	1.35	1.35	1.35	1.35
Swiss franc	1.48	1.48	1.48	1.48	1.48	1.48

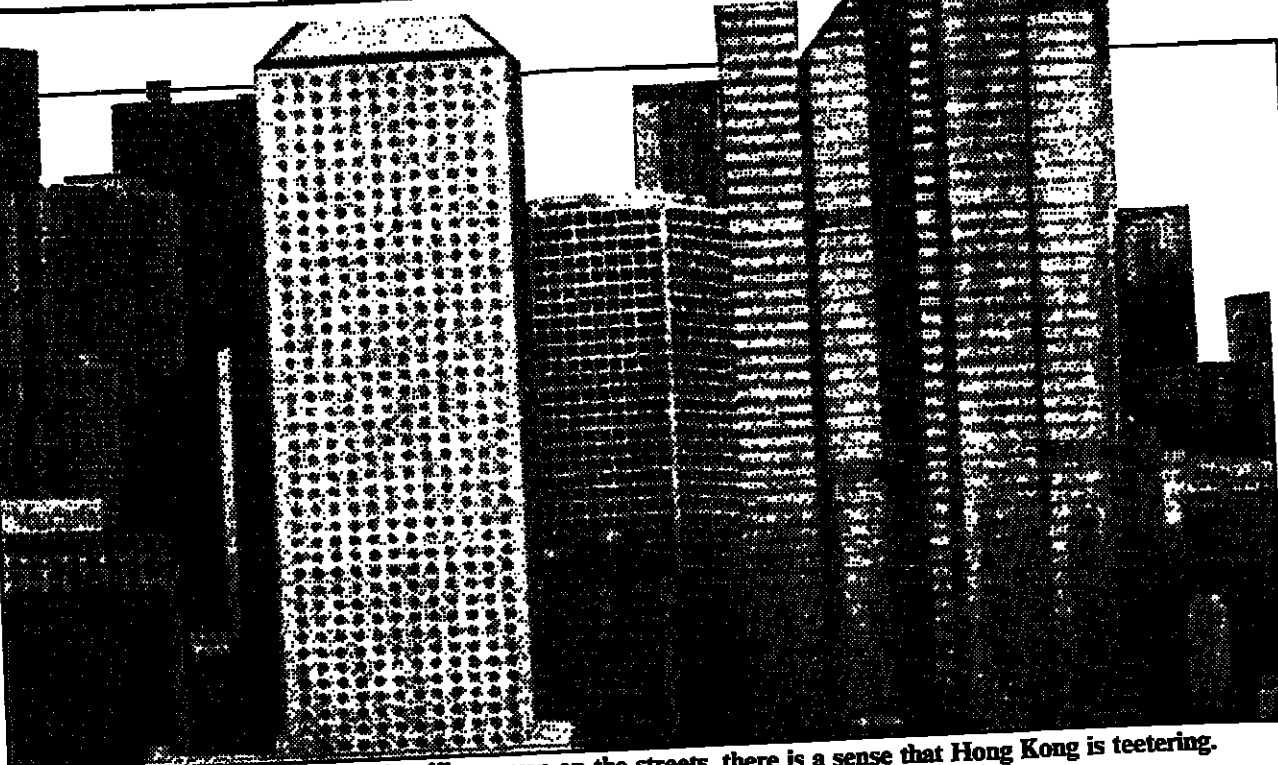
Sources: Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAH (Geneva, rival, Athens); Goobank de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAH (Geneva, rival, Athens); Goobank de Paris (Paris). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes	Change	Money Rates	Change
United States	1,993.53	Discount rate	6 7/8
DJ Indus.	182.56	Federal funds rate	6 7/8
DJ Indus.	757.24	Prime rate	9 1/2
DJ Trans.	248.22	3-month interbank	3 15/16
S & P 500	257.79	6-month interbank	3 15/16
S & P 100	288.59	9-month interbank	3 15/16
NVSE Co	148.80	12-month interbank	3 15/16
FTSE 100	1,749.80	Bank base rate	9 1/2
FTSE 20	1,360.90	Call money	9 1/2
Nikkei 225	22,765.04	3-month interbank	9 1/2
West Germany	1,526.00	6-month interbank	9 1/2
Commerzbank	1,464.70	9-month interbank	9 1/2
Hong Kong	2,240.13	12-month interbank	9 1/2
Hong Seng	3,362.39	London p.m. fix	488.00
Hang Seng	2,240.13	Gold	470.50
MSCIP	985.70		

World Index from Marston Stanley Capital Int'l.



In the stock exchange, in offices, even on the streets, there is a sense that Hong Kong is teetering.

After the Fall, Fear: Vertigo in Hong Kong

By Nicholas D. Kristof
New York Times Service

HONG KONG — Stock markets fell everywhere last month, but it was in Hong Kong that the crash was loudest, most palpable, and perhaps most telling. In one day, stock prices fell 33.33 percent, one of the worst one-day plunges on any stock market in history.

Until mid-October, Hong Kong had been a virtual money machine, with among the world's best-performing stock markets and property markets and an economic growth rate that was four times that of the United States or Japan.

But the cement that binds Hong Kong is confidence, confidence about business prospects and confidence that China will leave it alone. That now seems in danger of becoming unglued.

In a private box above the Happy Valley racecourse, where Hong Kong's tycoons gossip and gamble on horses, one financier recalled the other day that he had lost almost everything in the 1973-74 Hong Kong market crash, when share prices

plunged by 92 percent.

"It's happening again," he said, "the big slump we've all been waiting for." Several others agreed.

These financiers may be no more correct in their economic predictions than they were in picking horses. The underlying economic opportunities for Hong Kong have rarely looked so good. Many other forecasters believe that the territory will lose its vertigo and test new heights on the financial markets while its economic growth accelerates.

But the suddenness of the crisis that hit Hong Kong last week underlines a constant threat to

See HONG KONG, Page 18



Ronald Li

Bank of China Reports No Loss

Agence France-Press

BEIJING — The Bank of China says it suffered no "direct economic losses" as global stock exchanges crashed, but that it is watching the situation closely, particularly in Hong Kong.

The Bank of China was quoted Saturday by the news agency Xinhua as saying that it "mainly buys and sells stocks for clients, which involves no risk." It added that "the stock mortgage loans it offers are also within safe lines."

The bank, China's foreign exchange offtshoot, contributed \$42.7 million last week to a \$512 million fund to salvage Hong Kong's stock futures market.

Analysts in Beijing said that China held about 10 percent, roughly \$3 billion, of the Hong Kong market's total capitalization before the crisis.

As a Nervous Market Reopens, Fears of a 'Sucker Rally' Abound

Compiled by Our Staff From Dispatches

NEW YORK — As the stock market enters its fourth week of jitters, some analysts believe that another correction or even a replay of the panic-stricken days surrounding the Oct. 19 crash may be just around the corner.

Even as investors were buying stocks at an exhaustive pace Friday and behaving as if the worst financial crisis in six decades were over, some traders suddenly turned cautious.

Many institutions wandered back to the sidelines, and market analysts who had been exuberant just the day before fell silent or revised their predictions.

On Oct. 19, the Dow Jones industrial average of 30 blue-chip stocks lost an unprecedented 508 points, or 22.6 percent of its value. After zigzagging for a week, the Dow then rose nearly 200 points, or about 11 percent, in the last four trading sessions to close Friday at 1,993.53.

That posed a troublesome question: Was the outlook really im-

proving, or was the market simply enjoying a temporary bounce from depressed levels?

"Too many people are getting too excited too quickly," said Eugene D. Peroni, a technical analyst from the Philadelphia investment firm Janney Montgomery Scott. "We were buying aggressively on Wednesday, but we're back on the sidelines now."

Jerry Helzner, a market strategist for Butcher & Singer, a Philadelphia investment firm, said that gains would be "much harder to come by" this week. "I'm afraid people are going to find that this market is still treacherous, and they were far too exuberant Friday."

The pundits are spooked by two things: overly aggressive buying for a market that has just stumbled through a terrifying month, and investors' fixation on budget negotiations between the White House and Congress.

Some analysts fear that the financial markets could come crashing down again if Washington compromises on a deficit reduction package that proves unacceptable to investors.

"This market is still very sensitive," said Robert H. Stovall, president of Stovall-Twenty First Advisers in New York. "And if there is more turmoil and finger-pointing in Washington instead of strong action, I hate to think what might happen."

Mr. Helzner found Friday's aggressive buying patterns equally disturbing.

"The steady driving rally on Thursday really looked good," he said. "But as soon as the market opened on Friday, there were signs of sloppiness. There were way too many people who really thought Thursday was proof that we had seen the worst."

In the first hour of Friday's ses-

sion on the New York Stock Exchange, traders were inundated with buy orders as individual investors followed the lead of institutions. Burdened with so many small orders, the NYSE tape could not keep up with the trades.

"The tape was back to being late," Mr. Helzner said. "Some stocks were up an incredible \$3 to \$5 a share right off, and almost immediately the shrewd institutional investors pulled out. They don't like to chase rallies."

John Connolly of Dean Witter Reynolds commented, "Can you really feel comfortable buying stocks when you know that last time the Dow was at the 2,200 level, it fell 500 points? I don't think so."

High Johnson of First Albany Corp. said, "There's that fear that you're going to be blindsided again, that an unexpected shock will occur."

Yet Joseph Barthel, an analyst for Butcher & Singer Inc. in Manhattan, New York, voiced concern

See REBOUND, Page 15

Have Consumers Lost Heart? U.S. Car Sales Will Offer Clue

By Richard W. Stevenson
New York Times Service

NEW YORK — On Wednesday, when automakers report their sales for the last 10 days of October, economists seeking to divine the course of the U.S. economy will pore over the figures as never before.

As the first solid piece of statistical evidence of consumer behavior since the stock market crisis began in earnest, the numbers, depending on their strength or weakness, are sure to be seen as harbingers of continued moderate economic expansion or impending malaise.

Indeed, with the turmoil in the markets abating only slowly, growth forecasts being slashed again, the possibility of a recession looms, every indicator of consumer loathing and business attitudes and behavior over the next several months, whether statistical or anecdotal, will be placed under a microscope.

There are likely to be some conflicting signals about the economy's direction, and they will be interpreted from varying perspectives.

Does the market plunge reflect underlying weakness in the economy? Or is the danger largely in the psychological effect the collapse has on consumers and businesses? It will almost certainly be 1988 before the experts get a firm grasp on what Wall Street's crazy days mean for the economy.

The last five years of economic growth have been based largely on the strength of consumer spending. With 60 to 65 percent of growth in the gross national product recently derived from the consumer, economists are watching most closely for signs that they are putting away their wallets, credit cards and check-books.

"What I'm really looking for is evidence that consumers are pulling in their horns," said Murray L. Weidbaum, a former chairman of the Council of Economic Advisers who is now director of the Center for the Study of American Business at Washington University in St. Louis.

Some economists think it takes at least 10 months to see the effect of a recession on the economy, and they will be interpreted from varying perspectives.

Not Quite at Wit's End But Wall Streeters Find the Humor Wears Thin When the Joke's on Them

By Glenn Kramon
New York Times Service

NEW YORK — On Wall Street, the humor was that Merrill Lynch had adjusted its investment portfolio — to 50 percent cash and 50 percent canned goods.

On bumpers around the country, the latest sticker proclaims, "My Other Porsche is For Sale."

In Miami, production is said to have begun on a new movie, "Rambo Gets a Margin Call."

And what do you say to an investment banker? "Fill 'er up."

Such is the grim humor that has emerged on the trading floor and in the conference rooms of investment firms in the past two weeks.

Of course, for the many investors who have lost hundreds, thousands or even millions of dollars, the stock market plunge is hardly a laughing matter. But the nature of black humor is that it surfaces in the most trying times. You either laugh or cry.

Wall Street seems to generate more than its share of this kind of humor. It had a field day with the foibles of the former presidential candidate Gary Hart and the candor of the space shuttle. "You got 27 one-liners in 10 minutes," one investment professional said.

The difference this time, though, is that the market's collapse has hit closer to home.



More wry humor on Wall Street: The bulls were back briefly on Friday — for Halloween.

Many traders and analysts said the jokes have been far scarcer. "When bad things happen to other people, you have a lot to laugh about," one trader said. See WIT, Page 15

German Suggests Bundesbank for EC Central Bank

Reuters

ANTWERP, Belgium — The West German central bank, the Bundesbank, could be adapted to the role of a central bank for the European Community, a senior West German central banker has suggested.

Wilhelm Nolling, president of the Federal Reserve Bank in Hamburg and a member of the Bundesbank's policy-making committee, said the bank, which already dominates European monetary policies, could eventually be "Europeanized" by including representatives from EC member states.

"But I don't have any illusions about the readiness of politicians to accept this," he told reporters on Saturday at a conference here on the European currency unit.

He made clear that he was not speaking for the Bundesbank. "I am against toying about with new bureaucracies," Mr. Nolling said. "I am not in favor of establishing a new superpower alongside the present setup of central banks."

President Francois Mitterrand of France called earlier this month for the creation of a European central bank to help supervise economic integration in the EC.

At present EC member states coordinate their economic policies within the framework of the European Monetary System, an exchange rate mechanism that imposes strict limits on the fluctuations of eight EC currencies.

In a rare departure from traditional Bundesbank policy, Mr. Nolling also said he doubted whether Britain should be allowed to join the EMS exchange rate system.

He said that the Bundesbank president, Karl Otto Pöhl, had been saying for years that the British ought to be part of the system. "He has never actually said why," Mr. Nolling said. "I think you might find there would be instability in the system in Europe were the pound to join."

Prime Minister Margaret Thatcher of Britain has so far strongly resisted calls from her EC partners to take Britain into full EMS membership.

Piedmont, USAir Merger Is Approved

Washington Post Service

WASHINGTON — The Department of Transportation has approved the \$1.59 billion merger of USAir Group Inc. and Piedmont Aviation Inc., rejecting the advice of an administrative law judge who had called the deal anti-competitive.

The new airline will be the seventh-largest in the United States. The judge, Ronnie A. Yoder, had said the merger would mean "a substantial reduction of competition" on the East Coast.

The two airlines had argued that they needed to merge to remain competitive against such big carriers as Texas Air Corp., American Airlines, United Airlines and Northwest Airlines.

Edward R. Beauvais, chairman of America West Airlines, based in Phoenix, Arizona, said Friday that the company would seek a reversal of the decision from the U.S. Court of Appeals and a stay of the decision in the meantime.

America West argued that the merger would result in increased concentration in ownership of landing rights at Washington National Airport and La Guardia airport in New York and amount to a barrier to airlines seeking to serve those markets.

Piedmont will continue to operate as a separate airline for at least nine months before merging into USAir, which has headquarters at Washington National.

Earlier this year, USAir acquired Pacific Southwest Airlines, giving it a strong West Coast presence and transforming the former regional carrier into a national carrier.

See REBOUND, Page 15

WALL ST IS DOWN BUT WE ARE UP

That's because our analysts offer the best advice on investing in the market. No matter what the climate, if you want to make money, while everyone else is losing it, then you need us.

Here's a glimpse of some of the lucrative investments we are into:

SULPHUR: The world's most needed commodity — few industries can run without it — is heading into a decade of acute shortages and big price increases. Our investment choice is a hand-picked company that has secured vast sulphur deposits long before the shortage of others.

GOLD: The world's most precious metal and the one with the most stable long-term performance. Our choice for your money is a goldmine that sits astride one of the world's richest goldmining areas.

WINDENERGY: The energy of the future is now being developed. Our choice is a company with Government contracts, state-of-the-art management and all the necessary requirements in place to double its assets in the coming months.

PROPERTY: Sell one of the safest long-term investments around. Our choice is a company with Government contracts, state-of-the-art management and all the necessary requirements in place to double its assets in the coming months.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-492-1277. Prices may vary according to market conditions and other factors.

October 29

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Canada, Scandinavia, and Japan.

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like United Kingdom, Western Europe, and Japan.

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Table of ECU Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Europe, Japan, and others.

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American Exchange Options

Figures as of close of trading Friday, October 29

Table of American Exchange Options, including columns for Option & price, Calls, and Puts, with multiple sub-sections for different options.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Europe, Japan, and others.

DM Zero Coupons

Table of DM Zero Coupons bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Europe, Japan, and others.

Yen Straights

Table of Yen Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Japan, Europe, and others.

ECU Straights

Table of ECU Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Europe, Japan, and others.

WestLB advertisement: Fixed Income and Equities Trading - for dealing prices call. Includes contact information for Düsseldorf, London, Luxembourg, and Hong Kong.

INTERNATIONAL POSITIONS advertisement: You will find below a listing of job positions published last Thursday under the rubric International Positions. Includes a table with columns for Title, Salary, and Employer.

Vertical advertisement on the right edge of the page, including 'New International' and 'Flight to Quality'.

سكس من الترحيل

Havecker Front

Volcker

A financial world incoherence in the recent is looking desecrating symbols. For that Washington unceremoniousness of the t. They want to see a t. aside political fan-for common purpose. s for restored faith in is tangible. What ac-symbolically effective restoration?

Volcker. That was a letter published in er day. The same se-ol doubt be found in al financial centers. made his mistakes as the Federal Reserve re is immense inter-ence in his comparison. To bring him back would be a point and determination. Mr. Volcker do? He t in as secretary of the shuffle of the Reser-ve House staff. Or be il ambassador to org-anizational meeting crisis.

ng would itself be an vol. We have learned ecks how technologi-reated a single world t. Any shock in To-er New York rever-ther markets at once. the Western econo-together — or sepa-rankin said.

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now would be worse without undertakings participants before it-ais of commitment to oose of restoring ord-ard to see what some ave to be.

U.S. budget deficit is ment. Some econo-overnment spending reases are unwise a es possible recession, but in this case de is overwhelming. The e that Mr. Resen's e led to profligacy. revidencing fiscal re- the United States will ut from its key eco-ore relaxed mon-ent is. West German-ave to take the risk e and expand their e is to be meaningful operation.

symbols needed are steps by the econom-ing is required of Con-o one can be in any is. It is to give up the protectionist trade bill. imagine a surer way to ancial ruin than final representative Richard e bill? It would over-where of the Smoot-tariff increase of 1930 the collapse.

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to recognize the esse- of economic con-today. Mr. Reagan restore confidence in London or Tokyo, be in the financial world es not understand the a profound threat to pends his time reading s diatribes about the same Court.

Mr. Volcker's ream than a symbolic ge-ot come back to pub-er could act effective-ack under such term- in would have to sup-ecific fantasies. He follow Mr. Volcker's ould matter.

the Fallen

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes and Fixed-Coupon.

Flight to Quality Spurs Record Week

By Carl Gewirtz

International Herald Tribune

PARIS — The continuing flight to quality by investors made for a record week in the Euro-commercial paper market last week.

The volume of new paper passing through Euroclear's settlements system totaled \$5.7 billion, while trading in the secondary market amounted to \$3.4 billion, producing a weekly record of \$9.1 billion.

The new-issue volume itself was just a tad below the record \$5.8 billion recorded two weeks ago.

The rush to buy short-dated three-month paper issued by top-quality governments has also dramatically pushed down rates.

Sweden, for example, was able to market paper last week at 25 to 30 basis points below the London interbank bid rate. A week earlier, Sweden's paper fetched 17 basis points below Libid and a month ago the rate was around 15 basis points below the benchmark.

French state-guaranteed paper last week was quoted at 20 basis points below Libid, compared with minus 15 a month earlier, and Danish paper, also quoted at 20 points below, was at minus 10 a month earlier.

Dealers reported that demand for outstripped supply, particularly as most ECP programs that had set a ceiling on the amount of paper to be sold were at or very near the self-imposed limits. Dealers expect these limits to be revised upward.

At the same time, they anticipate that new borrowers, who up to now have been skeptical about the viability of this fledgling sector of the Euro-market, will be establishing ECP programs.

Meanwhile, in the syndicated

loan market, borrowing charges are also continuing to drop, despite claims by many bankers that an increase is imminent.

Those who forecast higher charges base their argument on an expected increase in the volume of loans now that alternatives — issuing stock or bonds — are closed to all but the highest quality issuers.

But banks active in Asia are

INTERNATIONAL CREDIT

starved for new business and the rare new deal emerges after intense competition by banks to win the mandate. A good example of this is South Korea, the most heavily indebted country in the region.

Figures from the Bank for International Settlements show that South Korea reduced its foreign bank debt by \$2.5 billion in the first half of this year, making a reduction of \$3.2 billion in the year to last June, thanks to its burgeoning trade surplus.

So when Hyundai Motor came to the market to finance an investment by its subsidiary in Canada, competition was fierce and the borrowing charge continued to decline.

Six months ago, Hyundai paid 3/4 point over Libor to borrow from the banks. The latest \$100 million, nine-year loan will cost 1/4 point over Libor.

Yukong Ltd., a South Korean oil company, plans to raise \$50 million through the sale of floating-rate notes. However, given current investor preferences for top quality, the notes are most likely to end up in the portfolios of banks.

The eight-year notes, which borrowers can redeem after five years, will bear interest of 1/2 point over Libor. Heavy Industries Corp. of Ma-

laysia is seeking bids to refinance \$5 billion year of fixed-rate debt at new, lower fixed-rate costs.

Turkey, which had entered the market seeking \$85 million for three years, last week increased the size of the loan to \$100 million. Interest is set at an eye-popping 1 1/4 points over Libor with front-end fees ranging up to 1 percent. However, Turkey also sold lenders an option to convert the loan to Deutsche marks. The proceeds from this sale reduced the country's effective borrowing charge to 10 basis points over Libor.

New in the market is a five-year facility of 100 million European Currency Units for Arjomari-Prioux SA, a French producer of high-quality paper.

The facility, which can be extended to seven years at the option of lenders, carries an annual fee of 6/4 basis points. Drawings in domestic francs will cost 15 basis points over the interbank rate, while drawings in other currencies will cost 8 basis points over Libor.

There will be utilization fees of 2 1/2 basis points if more than one-third is drawn and of 5 basis points if more than two-thirds is used.

In the staid sector, Williams Holdings, a company whose interests include engineering, aerospace and building products, is seeking a \$100 million, multi-option facility. This is nominally a five-year deal but in fact is an "evergreen," since lenders each year will be asked to extend the life by one year.

The annual facility fee is 6/4 basis points plus one basis point each year for extending the life. The cost to draw on the credit is set at 10 basis points over Libor with a utilization fee of an additional 2 1/2 basis points if more than one-quarter is used.

earlier this month prompted this glum joke: "What's the difference between Salomon Brothers and other Wall Street firms? About two months."

Politicians have also under fire. One joke speared Senator Joseph R. Biden Jr., the Delaware Democrat who withdrew from the presidential race amid disclosures that he lifted portions of his speeches from other politicians. Mr. Biden's comment on the market panic: "We have nothing to fear but fear itself."

Not surprisingly, much of the humor deals with the morbid stereotype of distraught brokers taking their own lives.

What do you ask you when you want a room at the Hyatt? "Is it for sleeping, or jumping?"

Why haven't more brokers taken the plunge? "You can't open the windows."

What is the precipitation probability? "Rain, 30 percent, brokers, 70."

And how do you get a broker down from a tree? "Cut the rope."

There are also old favorites making a return appearance: "What's the best way to make a million in the stock market? Start with \$2 million."

Indeed, the most recent Wall Street one-liners are really nothing new. After the crash of 1929, the jokes sounded much like today's.

"I have an uncle working on Wall Street," goes one golden oldie. "He used to have a corner on the market. Now he has a market on the corner."

And: "Get my broker, Miss Jones."

"Yes, sir. Stock or pawn?"

Wood Gundy Falls Victim to BP Sale

New York Times Service

TORONTO — The large potential losses by a Canadian brokerage, Wood Gundy Inc., in underwriting the sale of British Petroleum Co. stock appear to have put in doubt First National Bank of Chicago's plans to take a stake in the brokerage.

William J. McDonough, vice chairman of First Chicago Corp., the parent of First National, said that executives of his company and Wood Gundy would meet to assess the impact of the BP transaction

Kaufman Sees 'Symbolic' Need to Reduce U.S. Budget Deficit

As chief economist for Salomon Brothers Inc., the largest U.S. investment banking firm, Henry Kaufman has earned the distinction of being one of Wall Street's most influential forecasters. His views on interest rate trends in the United States routinely attract international attention. And his weekly Comments on Credit remains one of the most widely read pieces of research produced by Wall Street. He spoke with John Meehan, editor of the IHT's Personal Investing section, about the turmoil in the stock market and the economic implications.

Q. After the Oct. 19 stock market plunge, the Federal Reserve adopted a more accommodative monetary policy. How long do you think this will last? A. I believe that the Fed will maintain an easier stance in the near term. They have already taken the federal funds rate down from 7% to roughly 6%. This is one percentage point down. I believe they will probably try to stabilize here until they have a better reading on the impact from the stock market decline on the economy.

Q. When will we have a clearer idea of how badly the economy has been damaged? A. We get the first reading this week with the 10-day auto sales figures. Next week, we will get another reading from retail sales. I would suspect that both will show some slackening as a result of the sharp

decline on the stock market. This will mean some slowing that may, and I say may, indicate one quarter of negative real growth, and that's provided the prices of stocks stabilize. The slowdown would likely occur in the first quarter of next year after inventories are drawn down.

Q. What do you believe the Federal Reserve will do if there are strong indications of a slowdown? A. If that is the case, I believe there is a

MONDAY Q&A

chance that the Fed will resume an easier policy, bringing fed funds down to 6 percent. It may even include a reduction in the discount rate by a quarter- to a half-percentage point in the final quarter.

Q. What are the implications for the dollar on foreign exchange markets? A. So far, the implication has been to put pressure on the dollar. The risk is for a further slide until it stabilizes, which I see at about a range of 1.60 to 1.70 against the Deutsche mark and a range of 130 to 135 for the yen. The need is to bring this about in a moderate fashion. We can't afford a free-fall. A free-fall would suggest to everyone that our monetary policy is not flexible.

This would arouse expectations in a negative sense in the bond market that could bring about a self-off, which in turn would have an adverse impact on the equity market.

Q. At this point, U.S. policy makers do not

appear to have many immediate options open to them. How can they engineer a gradual descent in the dollar?

A. What we need now is an extraordinary amount of international monetary cooperation, particularly with West Germany and Japan. There must be a willingness to reduce interest rates. In a sense, we're beginning to see some of this in Germany, where they lowered the rate on repurchase agreements, and both German and Japanese central banks have been substantial buyers of dollars. The pattern of Japanese and German interest rates in the weeks ahead will be critical.

Q. Given the clear concern about the dollar among foreign investors, do you believe U.S. monetary authorities will have to take stronger measures to ensure the success of November's U.S. Treasury refunding? A. I don't think so. The Treasury refunding is at much reduced proportions and the Fed is more interested in ensuring tranquility at this point. Still, I doubt the Fed will initiate any additional easing prior to the refunding. Only if the stock market were to sell off sharply from here would we see any change in policy. Then the Fed would push more liquidity into the market.

Q. How real is the risk of a recession in the United States? Have you revised your own forecast for economic growth next year? A. This is the great analytical quandary. This is because there is no way that you can take all the changes in stock prices that have taken place, feed it into a computer

and find out with certainty how it will affect the economy. I had forecast 3 percent growth for next year. It's certainly going to be less, but it's too early to say by how much.

Q. Is a valid compromise in Washington on the budget deficit the only piece of news that will calm financial markets? A. We need to reduce the budget deficit in the United States and get moving on it in the next few weeks. In this connection, the budget deficit has become a symbol of how well we respond. There isn't any evidence to argue that a \$23 billion reduction will make the difference between stable and unstable markets. What is at issue here is that we put into place a plan for a downward adjustment in the deficit. But we need to demonstrate much more the maximum of international cooperation. Nations can't pursue narrow domestic goals and we certainly can't afford the open fighting and bickering we saw a couple of weeks ago.

Q. There has been speculation among a number of economists lately that attempts to narrow the budget deficit through higher taxes could actually produce the recession it is designed to avoid. Do you share these fears? A. When we're talking of only \$20 to \$30 billion at a time when the budget would have grown to \$180 billion when compared to \$148 billion last year, I think this concern is overblown, especially given the extraordinary symbolism, even internationally, given to reducing the budget deficit.

REBOUND: CONSUMERS: Car Sales to Offer Clue on Confidence

A 'Sucker Rally'?

(Continued from first finance page)

least four months for the full impact of a fall in the stock market to hit consumer spending, so it is not surprising that the preliminary readings on the consumer mood are somewhat fuzzy.

While news reports spotlighted incidents of car and home sales being canceled, surveys showed that most Americans outside major financial centers remain relatively unconcerned about the market turmoil.

Consumer confidence levels, which most economists study as an early indication of the economy's direction, have sagged as the stock market has tumbled, but not so dramatically as to give a clear picture of new behavior patterns.

The Conference Board, a business group, reported last week that its index of consumer confidence dropped to 110.4 from 116.9 during the week after Oct. 19's 508-point market plunge. That 5.6 percent decline, a spokesman for the group said, was barely significant and much less than the 33 percent drop during the 1973 oil crisis.

Richard Curtin, who runs another survey of consumer confidence at the University of Michigan's Insti-

tute for Social Research, said it would be some time before it is safe to draw any final conclusions about the impact on consumers.

He said that when faced with an economic event of the magnitude of the Oct. 19 plunge, people tend to go through a period of disbelief into one of uncertainty, often followed by a sense of relief that their worst fears — the specter of Depression-era bread lines, for example — have not come to pass. Only then do they settle into the new economic reality.

Right now, he said, uncertainty reigns among consumers. "They no longer think that their views about the economy are adequate and they don't know what to replace them with," he said. "People are very unsure as to what it means to me, my job, my financial future."

Uncertainty in itself, however, is a powerful influence on the economy. Consumers who are unsure what their holdings will be worth, or whether their jobs and incomes are secure, often decide to postpone or scale back spending plans.

The new car can wait, their thinking goes, as can the bigger house, and maybe it would be a good idea to hold the line on Christmas presents this year, just in case.

The extent to which that phenomenon is setting in will most likely show up in the 10-day auto sales figures on Wednesday.

If sales remain at around the annual 6 million-vehicle rate that they were running before the market plunge, it will be taken as a sign that consumers are struggling off Wall Street's latest woes — or at least are taking a deep breath and betting that the economy is resilient enough to keep on ticking.

But if sales fall much below an annual rate of 5 million, it will almost certainly be taken as a warning that spending is slowing significantly.

Economists warn, however, against putting too much stock in one-month changes in sales. The data are affected most of the time by special factors such as incentives offered to car buyers that temporarily inflate sales and make comparisons difficult.

Economists also point out that consumer spending was easing off even before the stock market began its gyrations, at least partly because of high debt levels and the loss of some tax deductions on interest payments on consumer debt.

EUROBONDS: Is Bigger Safer?

(Continued from first finance page) clients were not pleased with the intended use of the money, reportedly to fund the bank's bond portfolio.

Merrill Lynch marketed \$140 million of FRNs in the name of Guaranteed Investments, a repackaging of six different perpetual FRNs whose redemption in 50 years is assured by a zero-coupon bond issued by the World Bank. In addition, payment of interest and principal is guaranteed by an insurance company, giving the new offering a triple-A rating.

The notes will be issued in six separate tranches, each of which will be secured by the paper of one bank and a portion of the World Bank zero. Interest will be paid at 1/4-point over Libor, the average of the bid-offered interbank rate, which is equal to 3/16 of a point over Libor.

There are two kickers to this very complex deal: Holders can request redemption at par value after 10 years, or can at any time, for a 1 percent fee, exchange the new FRN for the underlying perpetual plus the World Bank zero.

The exchange feature is supposed to be the sexy part of the deal, making up for the unexciting margin over Libor.

The exchange is potentially a very valuable option since perpetuals currently are out of favor and trade at 15 percent discounts from face value.

If perpetual prices ever recovered and traded at par value, holders making the exchange could make a huge profit.

However, riding the recovery in perpetual prices is not an open option. Investors could find themselves forced to exercise the option because the new FRN can be called at a premium price of 102 anytime after the second year.

The notes, offered at par, were quoted at 99.90 at end of the week. The market also saw several New Zealand dollar FRNs last week, but these were really private placements targeted for clients in Japan.

The European paper, floating and fixed, was well received.

Bankers expect demand to pick up as the Japanese authorities are threatening to close a loophole that has enabled foreigners to buy domestic-yen bonds.

Japan Is Said To Urge Bidding For U.S. Bonds

Agence France-Press

TOKYO — The Finance Ministry will advise Japanese institutional investors to bid actively for U.S. government bonds in an auction this week, market sources said.

The ministry believes that a decline in bidding by Japanese life insurance companies, trust banks and other financial institutions could lead to a further drop in the dollar as well as trouble on world financial markets, the sources said Saturday.

The U.S. Treasury is to auction bonds worth \$2.75 billion this week.

In past auctions, Japanese institutional investors have bought about one-quarter of the long-term investments.

There is a withholding tax on domestic paper that foreigners have escaped by selling their holdings to domestic investors just before coupon payments.

The expected new rules will apply the withholding tax on an accrual basis, effectively eliminating the evasion and driving foreign investors to the tax-free Euroyen market.

The one bond market to have suffered last week was the Australian-dollar sector. Domestic bond rates rose while the currency fell, even against the U.S. dollar.

Whereas the U.S. dollar dropped some 5 percent against the Deutsche mark last week, the Australian dollar lost 5.6 percent against the U.S. currency.

For West German purchasers of Australian dollar bonds, that meant a currency loss of almost 11 percent. Meanwhile, the price of the bonds dropped by some 1 1/2 points.

Bankers calculate that it would take a 22 percent drop in the exchange rate to wipe out the gains a West German investor would expect to make from the higher coupon on three-year investment in Australian-dollar paper.

WIT: Wall Street Jokes Wear Thin

(Continued from first finance page) more jokes," said Edward E. Yardeni, chief economist at Prudential-Bache Securities.

"But when it happens to us, it's not so funny."

Still, almost all those interviewed volunteered that they had heard a few good jokes, although they admitted that many were too tasteless to print.

Much of the humor deals with the self-off's impact on the lifestyle of high-flying investors.

"How many investment bankers can you fit into the back of a pickup?" goes one. "Only two — you have to leave room for the lawn mowers."

Some are dusted off from previous crises and given a fresh spin. Leigh S. Curry, an institutional salesman at Paine Webber Inc., offers this one: "A woman walking down Wall Street sees a frog that begs, 'Kiss me and I'll turn into an arbitrator.' The woman refuses. 'Not a chance,' she says, putting the frog into her purse. 'A talking frog might be worth something.'"

A year or so ago, that one circulated with an Oklahoma oilman in the title role.

Perhaps the most frequently heard joke of the past two weeks is: "What do you call a Harvard MBA? Waiter."

Other jokes deal with the turmoil's effect on securities firms themselves. For example, the rumor on Wall Street is that two huge firms, Shearson Lehman Brothers and Paine Webber, plan to merge. The new firm would be called Shear Paine.

The layoffs at Salomon Brothers

New Issue The announcement appears as a matter of record only November 1987



International Bank for Reconstruction and Development

Washington, D.C.

DM 200,000,000

5 7/8 % Deutsche Mark Notes of 1987/1992

Private Placement

Table listing participating banks: Bayerische Landesbank Girozentrale, Westdeutsche Landesbank Girozentrale, Deutsche Girozentrale - Deutsche Kommunalfbank, Caisse des Dépôts et Consignations, Girozentrale und Bank der Österreichischen Sparkassen, Hessische Landesbank - Girozentrale, Norddeutsche Landesbank Girozentrale, Sparkassen SDS, ASLK-CGEB Bank, BACOR Savings Bank s.c., Badische Kommunale Landesbank - Girozentrale, Bank der Bondssparbanken N.V. Amsterdam, Bank in Liechtenstein (Frankfurt) GmbH, Bilkuben, Bremer Landesbank, Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg, Banque de l'Etat, Caja de Madrid, CARIPO, Commonwealth Savings Bank of Australia through Commonwealth Bank of Australia, Die Erste österreichische Spar-Casse-Bank First Austrian Bank, Cassa di Risparmio delle Provincie Lombarde, Forsta Sparbanken, Hamburgische Landesbank - Girozentrale, DSL Bank, Deutsche Siedlungs- und Landesrentenbank, Landesbank Saar Girozentrale, Landesbank Schleswig-Holstein Girozentrale, Landesbank Rheinland-Pfalz - Girozentrale, Sparkasse der Stadt Berlin West Girozentrale in Berlin, SwedBank, Landesbank Stuttgart Girozentrale, A/B/C Union Bank of Norway, Zentralsparkasse und Kommerzbank, Swiss Cantonalbanks, Vienna

SPORTS

SPORTS BRIEFS

Berger Easy Winner of Japanese Grand Prix

TOKYO (UPI) — Austrian Gerhard Berger, starting from pole position, led virtually from start to finish to win Sunday's Japan Grand Prix, bringing the Ferrari team its first victory in two and a half years.

Watson Extends Lead in Rich Golf Tourney

SAN ANTONIO, Texas (AP) — Tom Watson shot a 1-under-par 69 to maintain a four-stroke lead after Saturday's third round of the \$3 million Championships of Golf, the richest tournament in the sport's history.

Baumann Retires

TORONTO (UPI) — Alex Baumann of Canada, who won two gold medals in the 1984 Summer Olympics, has retired from competitive swimming.

VANTAGE POINT/George Vecsey

The Children's Hour, the Parents' Pride

New York Times Service NEW YORK — Lee MacPhail could sit with his son at the moment of ultimate triumph while Frank and Helen Viola had to watch their son celebrate from a distance.

ther, Larry, the innovative general manager with Cincinnati, Brooklyn and the New York Yankees, had made Lee work on a cattle ranch, literally shoveling manure, before Lee could take a job in baseball.

There were moments when the parents realized that their own identities, their own accomplishments, would be slightly sublimated to their sons' achievements.

"I pointed out to my kids that there are only a few jobs," he recalled. "My oldest son was a general manager at Reading before he was killed in an auto accident."

"I wouldn't want to say I was more than a sounding board," Lee MacPhail said. "He knows more about his team than I do."

During the league championship opener, Frank Jr. let a 4-1 lead get away before the Twins finally won the game. That night, while staying at his son's house, the father could not resist saying, "It just seems to me that a man of your experience should have been able to hold the lead."

Frank and Helen Viola remembered their own identities during the Series; he is the controller of radio station WEVD in New York, she is a part-time corrections officer.

Solution to Friday's Puzzle. A grid with words like DISH, ALE, ATOM, DISPENSES, RAVES, INTERESTS, CRIES, etc.

Crossword puzzle grid with numbers 1-22.

- ACROSS: 1 Irvin or Ty, 5 Ray, 6 Jaker, e.g., 13 Actor Sharif, 14 Taj Mahal site, 15 Gluts, 16 Monkey or tree, 17 Come close, 18 Catchall site, 19 Hawthorne novel, 22 Actor Ely, 23 Pianist, 24 Templeton, 24 Baseball's Mel, 27 Grate, 30 Wears away, 34 Patisserie item, 36 Finely honed, 38 Lisa, 39 British Museum display, 42 Long time, 43 Atlanta arena, 44 Exploiters, 45 Gymnast Mary Lou, 47 Bridge term, 49 Bean type, 50 Kind of code.

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



"HELLO, YOU'RE ON THE AIR ON 'OPEN FORUM' WHO IS THIS, PLEASE?"

JUMBLE

Word puzzle section with words like ESSOU, RODOB, CLOWAL, STRUME and a grid.

WEATHER

Weather forecast table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



HONG KONG: After Free-Fall, Fear Lingers

(Continued from first finance page) The territory's gleaming business district. It is the economic equivalent, magnified a five times of the apprehension that some Chinese hold of a devastating earthquake.

It is an edginess, an uncertainty and volatility, that will greatly complicate the territory's greatest challenge over the next few decades: its return to China on July 1, 1997, and the task of integrating one of the world's most free-wheeling economies with one of the most controlled.

Business in Hong Kong is as ruthless and colorful as ever, but it is changing in three fundamental ways. The turmoil in the last few weeks underscores them all.

When Karl Marx forecast that increasingly turbulent business slumps in capitalist societies would culminate in a communist revolution, he did not count on neighboring communist countries bailing them out.

And the Hong Kong government twice intervened with rescue packages to bail out the futures exchange. Now, the government is talking about other regulations, such as higher capital requirements for financial firms and laws to make insider trading a crime.

Most of the population has come to Hong Kong from China in the last 40 years and has unpleasant recollections of Communist rule. Some Hong Kong companies, such as the Jardine Matheson group, lost their holdings in Shanghai when the Communists arrived there in 1949.

In the last few years China has come across as so determinedly capitalist — at least in its operations in the territory — that the consensus is growing that China sincerely does want to make Hong Kong work, that it has too much at stake to allow the territory's position to crumble.

Stock Mutual Funds Mostly Trailed Market

By Eric Berg NEW YORK — Many individual investors who thought they were safer in stock mutual funds had a nasty awakening in the stock market fiasco.

The funds just didn't do as well as one would have liked," said Michael Lipper of Lipper Analytical Services Inc., which tracks their performance.

Of 157 stock-oriented mutual funds that reported to Mr. Lipper's firm for the two weeks ended Thursday, 287 produced a total return for investors better than the 17.88 percent drop in Standard & Poor's 500-stock index, while 570 funds did worse.

The top performing fund, Oppenheimer Ninety-Ten Fund, had bought put options — options to sell at an agreed price at a specific time, made in expectation of falling prices.

Other funds that gained relied on buying stocks with a history of fast earnings growth or large dividends, or invested heavily in foreign securities.

Some of the funds that lost were those that ranked in the bottom third of the fund industry in the third week in September. I wrote a 35-page report for my firm predicting a terrible stock market crash.

Some serious doubts remain, of course. Even if China wants to make Hong Kong succeed, will it be clumsy and heavy-handed so that it frightens the territory without really meaning to?

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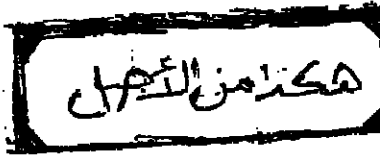


KOREBOARD

Table with columns for Hockey, Standings, and various team names and scores.

European Soccer

Table with columns for European Soccer, listing teams and scores.



SPORTS

Colts Defeat Jets, 19-14, In Dickerson's Debut After Trade From Rams

Compiled by Our Staff From Dispatches EAST RUTHERFORD, New Jersey — Albert Bentley, whose role is likely to shrink with the Colts' acquisition of Eric Dickerson...

six passes in two first-quarter scoring drives as New Orleans routed the Falcons. It was the third shutout in the history of the Saints...

NFL ROUNDUP

ference East in the National Football League. Dickerson, acquired from the Los Angeles Rams on Saturday...

Redskins 27, Bills 7: In Orchard Park, New York, Jay Schroeder threw two touchdown passes to Kelvin Bryant...

Sources familiar with the trade said Dickerson had signed a contract for three years worth \$1 million a year.

It was the first start of the season for McMahon, who returned from shoulder surgery in the second half of last week's game.

Eric Dickerson — of the Colts. The loss was the sixth in a row for the Chiefs. The Bears raised their record to 6-1.

Dolphins 35, Steelers 24: In Miami, Dan Marino weathered a shaky start in the rain and passed for four touchdowns and 332 yards to lead the Dolphins past Pittsburgh.



Despite a crumpling tackle by Arizona State's Stacy Harvey, Mike Farr held onto this first-quarter pass for a UCLA first down Saturday in Tempe, Arizona. The Bruins won, 31-23.

UCLA Downs Arizona State; Indiana Falls

Compiled by Our Staff From Dispatches

TEMPE, Arizona — UCLA solidified its drive for a berth in the Rose Bowl Saturday while the scramble intensified for the other one. Paco Craig caught two touchdown passes during a 17-point UCLA outburst in the third quarter...

Kansas, 1-7 and 0-4. Last year Nebraska scored 70 points against the Jayhawks.

COLLEGE FOOTBALL ROUNDUP Nebraska's pounding of Missouri, tight end Tom Banderas tied a Nebraska record by catching three touchdown passes...

ingham, Alabama, Bobby Humphrey became Alabama's all-time leading rusher on his first run of the game...

Florida State 73, Tulane 14: In Tallahassee, Florida, Danny McManis threw three touchdown passes and Dayne Williams scored on three one-yard plunges to power Florida State's victory...



Guided by Laffit Pincay Jr., Le Glorieux, right, rallied from 17 lengths off the pace to win with a rail-hugging stretch run.

West German 3-Year-Old Takes D.C. International

By Andrew Beyer Washington Post Service

LAUREL, Maryland — They played the West German national anthem after Saturday's Washington, D.C. International, but the lyrics might well have been altered to "Pincay Over Alles."

Kenyan Ibrahim Hussein Wins New York Marathon

The Associated Press

NEW YORK — A confident Ibrahim Hussein of Kenya caught pacemaker Pat Petersen shortly past the 14-mile (22.6-kilometer) point and coasted to victory in Sunday's 18th New York City Marathon.

Auto Racing

JAPANESE GRAND PRIX (At Suzuka, Japan)

1. Gerhard Berger, Austria, Ferrari: 1 hour, 33 minutes, 50.77 seconds; average speed 126.58 mph (192.87 km/h).

SCOREBOARD

Hockey

NHL Standings table with columns for Conference, Team, W, L, T, Pts, GF, GA. Includes Eastern and Western Divisions.

Football

Selected College Results table with columns for Team, Score. Includes Eastern and Western divisions.

Transition

Table listing various sports events and results including basketball, soccer, and tennis.

Tennis

Women's Tournaments table listing events like Wimbledon, US Open, and other international tournaments.

Men's Tournament

Table listing men's tennis tournaments and results.

European Soccer

Table listing European soccer leagues and results including Spanish, Italian, and English divisions.

CFL Standings

CFL Standings table with columns for Division, Team, W, L, T, Pts, PF, PA, FG, FGA.

Auto Racing

Table listing auto racing events and results including Japanese Grand Prix and other international races.

Women's Tournaments

Table listing women's tennis tournaments and results.

Men's Tournament

Table listing men's tennis tournaments and results.

TOO MUCH — Marie Jojojo of Cameroon cried out in pain Saturday after faltering at the women's world weightlifting championships in Daytona Beach, Florida. Jojojo lost control of the 62.5-kilogram bar, which fell on her back.

Pontus Hulten Returns to Beaubourg Museum

International Herald Tribune
PARIS—Something has gone wrong at the Pompidou center, as many visitors have observed and as Pontus Hulten, the first director of the center's museum, is among the first to admit. The crowds are still huge, the hustlers and jugglers in front of the entrance are as intrusive as ever, the schedule of coming events is

MARY BLUME

cramped. But after a brilliant and tumultuous start 10 years ago, the center has settled into uneasy middle age compounded by staff resignations and sinking morale. Hulten says it is hard to know exactly what has gone wrong or what should be done. "Frankly I cannot answer because I've been so depressed by the place that I haven't gone," he says. Hulten directed the museum from its inception until 1981 when he left to head the Los Angeles Museum of Contemporary Art. He has had two successors, both of whom have resigned. "It is as if the place had stopped," Hulten says.

Now there is every reason to hope that it will start up again. This Monday Hulten returns to the Pompidou center, appointed by the Ministry of Culture to a two-year tour as consultant not only on the museum but on all the center's activities. His small office is over a butcher shop in a building next to the center, a choice that is in many ways symbolic.

The office overlooks the Stravinsky fountain made by Jean Tinguely. Hulten's friend since they both came to Paris in the 1950s, and Niki de Saint Phalle. The butcher shop is there because from the start Hulten fought to have the center impinge as little as possible on neighborhood life. His office is not in the main building because he has long campaigned to have all offices moved out in order to provide more exhibition space.

"I don't think the staff need seven-meter-high ceilings," he says. Beaubourg, as the center is popularly known, was the last example of the 1960s idea of the museum as a cultural center. The recent decade has seen the museum as an object of display, civic, corporate and, above all, architectural (few



"I've been so depressed by the place that I haven't gone," says Pontus Hulten as he returns to the Pompidou center.

people talk about the *inside* of James Stirling's Stuttgart museum). What the coming decade will bring, Hulten says, depends on which city one is talking about.

"There is no answer to the question of an ideal museum. Each city's needs are different and also it depends on the existing institutions—you have to fit into what the city needs and wants and already has."

Understandably reticent about specifics so early in the job Hulten has a general view of Beaubourg's function at the present time. "I would like for museums to be more like reference places where you can check on what's happened and what's going on. Exhibitions should concentrate more on the contemporary at Beaubourg, rather than continue with the historical shows. A symbol of that would be that living artists would show on the fifth floor,

which is now reserved for historical shows."

One of the best known figures on the international art scene ("He has an appalling shiny reputation," says a member of Britain's backbitting art establishment) Hulten, 63, is a Swede who was the first director of Stockholm's Moderna Museet and who had mounted shows at the Stedelijk in Amsterdam and New York's Museum of Modern Art before being named director of the rebuilt Pompidou museum in 1973. He is at present head of the FIAT-backed Palazzo Grassi in Venice, a position he will retain since it involves organizing only one exhibition a year.

A genial man and an enthusiastic sailor (he took his sailboat to Los Angeles and to Venice), Hulten is an assiduous politician in the widest meaning of understanding, very well whichever *polis* he happens to find himself in. Widely



"I've been so depressed by the place that I haven't gone," says Pontus Hulten as he returns to the Pompidou center.

criticized for not being French when he was appointed to Beaubourg, Hulten says with a smile that this turned out to be a great advantage.

"It certainly helped me in France to be a foreigner. There are lots of things that you don't have to know about. Also, you are not so much to speak in one clan or another."

At the beginning he had to fight criticism of the building's tinker toy architecture and the fact that the museum's collection was sparse indeed. During his tenure the collection expanded splendidly, but getting the French to accept contemporary art was more difficult. In the six years that he has been away, he thinks the situation has greatly changed.

"The Beaubourg effect has been in operation in the sense that politicians have understood on a very broad level that you don't lose

votes if you support contemporary art. So what's happening in France in general is that museums and exhibition spaces around the country have changed their programs radically. Paris has become a most active and adventurous site for contemporary art."

While in Paris Hulten will oversee the final planning and opening, in the fall of 1988, of the Institut des Hautes Etudes d'Arts Plastiques, the long-delayed multi-discipline arts study section of the Pompidou center.

The institute, which will be located in a fine late-Gothic building on the Left Bank that served lately as a fire station, will enable a small multinational group of young artists to live and work with visiting professors.

"I think we'll be able to get very good visiting professors because the chance to work with brilliant young people for two months is great even if it is also very tire-

some, which it may be," Hulten says.

Such institutions as Black Mountain College and Princeton's Institute of Advanced Study have provided inspiration, as has, inevitably, the Bauhaus.

"The Bauhaus is different, though, because it was in a small city. Both Weimar and Dessau were rather tiny—it was similar to a regiment in a small city where the professors were the officers and the students the enlisted men."

"I think today it would be totally out of the question to try something like the Bauhaus. In Paris the great personalities will be there for a short time and you have to get the maximum out of that time. Buckminster Fuller always started his lectures by saying, 'We will be together two or three hours, this is the unique chance that we have.' For me the concentration is important—if you have somebody who is an authority and you want to talk to him about what he knows best, why shouldn't it work?"

Hulten's first shows after Beaubourg's opening were what he light-heartedly referred to as Ping-Pong blockbuster exhibitions such as Paris-New York and Paris-Berlin and Paris-Moscow that flattered France's image of itself as the birthplace of modern art and that by emphasizing the past glossed over the barren contemporary French art scene.

"The beginning of the century had not been dealt with in a coherent way, and as much of what happened in Paris it was logical to bring these facts together and show how the beginning of the century was formed in a dialogue between Paris and other parts of the world," Hulten says.

He thinks that today the time for huge pedagogical shows is past although he is in favor of smaller ones. One of the first challenges will come in the form of a subject that is causing headaches right now in institutions throughout France: how to celebrate the bicentennial of the French Revolution in 1989.

"I think we should do a very beautiful exhibition on a very international subject and not try to make a commemoration," Hulten says. "It should be more like a gift than anything else."

LANGUAGE

Scabs, Ginks and Finks

By William Safire

WASHINGTON — "Scab Ball" was the label pinned on the professional football played by replacements or substitutes by such sportswriters as Tony Kornheiser of the Washington Post. The owners' use of *scab labor*—usually a union member's derogation of an employee who works during a strike—prevailed, and the players' strike was broken.

The use of the word is intended to impute disgust. From the Old Norse, *scab* means "crust that forms over a wound or sore," and is akin to the Latin *scabere*, "to scratch." Although most lexicographers have long thought that the slang term was an Americanism, the Oxford English Dictionary's Supplement tracks the strike-related meaning to a British publication, Bonner & Middleton's *Bristol Journal* in 1777, writing about a strike in a cordovan shoe factory: "Matters are amicably settled. . . . The Conflict would not have been [sic] so sharp had not there been so many dirty Scabs."

In 1792, a writer in "Early English Trade Unions" defined the term somewhat heatedly: "What is a scab? He is to his trade what a traitor is to his country. . . . He first sells the journeyman, and is himself afterwards sold in his turn by the masters, till at last he is despised by both and deserted by all." Substitute *players for journeymen*, and *owners for masters*, and you have a fairly current description of the fix some of the replacement players now find themselves in.

Other synonyms for *strikebreaker* include *blackleg*, *jackleg*, *red apple*, *scissorsbill*, *rat* and the ever-popular *fin*.

"*Fink* came into the language in 1902," says the lexicographer Stuart Berg Flexner, "probably as a clipping of *Pinkerton*, with the *p* changing to *f* in pronunciation. Allan Pinkerton (General George B. McClellan's Civil War secret-service chief) founded a detective agency that later gained ill fame as an organization of strikebreakers hired in 1892 to fight the workers in the Homestead strike against Carnegie Steel. As the language scholar H.L. Mencken's American Merriam was the first to point out, in 1926, the Pinkerton agents were then reviled by unionists as *pink*."

which may have changed in a decade to *finks*.

Or maybe not. Flexner's new Random House unabridged dictionary speculates that, in German, *Fink* is the name of the bird we call the finch, and also refers colloquially to an undesirable person. In German compounds, the syllable is used to impute untrustworthiness; a *Duckfink* is a sycophant and *Schmierfink* is a "sloppy writer" (That's a less likely etymology than the mispronounced Pinkerton whose symbol, an open eye with the slogan "We never sleep" under it, gave us the expression *private eye*).

My colleague in columny, Russell Baker, nobody's *Schmierfink*, was moved before Labor Day to evoke a song best known to labor skates: "Let us disturb the bottom-line dispensation of this once-famous weekend to sing an old union song crying defiance of 'goons and ginks and company finks and deputy sheriffs that made the raids.' The tune is 'Redwing, Ready?'"

I am uneasy to be sidetracked from *fink*. (Goon is a birded thing, perhaps derived from the 1580s English dialect word *goon*, "simpleton," and popularized by the hairy creature Alice the Goon in the cartoon "Poppey," *Gink*, a 1910 synonym for "jerk," may come from carnival usage.)

ALTHOUGH *scab's* slang meaning is limited to labor lingo, *fink* has broadened to include any dirty, low-down, miserable object of scorn. As early as 1903, the humorist George Ade was writing that "Anyone who goes against the Faculty single-handed is a *Fink*." In a piece on corporate ethics in last month's *Business Month*, Thomas J. Murray wrote: "It is no secret, for example, that most senior executives are contemptuous of whistle-blowers, labeling them 'snitches' and 'finks' and often demoting or firing them."

Fink is also a verb—"to inform on," or otherwise to play the contemptible *fink*—although the current use of *out* as a verbifying phrase-maker has led to the expression *to fink out*. I would resist this latest nonce use, as it detracts from the power of the single-syllable derogation.

New York Times Service

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